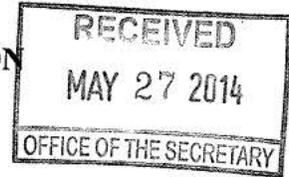


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
May 22, 2014



Administrative Proceeding
File No. 3-15830

_____ :
In the Matter of :

HERBERT STEVEN FOUKE, :

Respondent. :
_____ :

DIVISION OF ENFORCEMENT'S MOTION FOR SANCTIONS
AGAINST RESPONDENT HERBERT STEVEN FOUKE

I. Introduction

Pursuant to Rules 155(a) and 220(f) of the Commission's Rules of Practice, and the Law Judge's Order Following Prehearing Conference, Finding Respondent In Default, And Directing A Motion For Sanctions ("Default Order") dated May 8, 2014, the Division of Enforcement moves for the sanction of an industry bar from association against Respondent Herbert Steven Fouke pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"). We set forth the grounds for the sanction below.

II. History Of The Case

The Commission issued the OIP on April 8, 2014, pursuant to Exchange Act Section 15(b) and Advisers Act Section 203(f). In summary, the OIP alleges Fouke, while associated with a registered broker-dealer and investment adviser, assisted his friend and colleague, Richard

J. Buswell,¹ in making false statements to clients about Buswell's credentials and rates of return clients would receive, as well as omitting to explain the risky nature of several private placements into which Buswell was placing clients. These facts, described in more detail below, led to a guilty plea and conviction in a criminal case.

The Division served Fouke by certified mail on April 12, 2014 in accordance with Commission Rule of Practice 141(a)(2)(i). Default Order at 1. Fouke's Answer was due on May 5, 2014. *Id.* Fouke did not answer or otherwise appear in the case. *Id.* Accordingly, the Law Judge determined Fouke to be in default and directed the Division to file the instant motion. *Id.* at 1-2.

III. Memorandum Of Law

1. Allegations Of The OIP The Law Judge May Deem True

Pursuant to Rule 155(a), the Law Judge may deem the allegations of the OIP as true for purposes of determining sanctions against Fouke. *Rapoport v. SEC*, 682 F.3d 98, 108 (D.C. Cir. 2012); *In the Matter of Peak Wealth Opportunities, LLC and David W. Dube*, AP File No. 3-14979, 2013 WL 812635 at *1 (March 5, 2013). The OIP is attached as Exhibit 1 to this motion.

The relevant allegations are:

- From approximately September 2008 until April 2009, Fouke was a registered representative at and associated with Brookstone Securities, Inc., (also doing business as Brookstone Investment Advisory Services) of Lakeland, Florida. OIP at ¶ II.A.1. Brookstone was formerly registered with the Commission as both a broker-dealer and investment adviser. *Id.*
- On September 6, 2013, Fouke pleaded guilty to one count of conspiracy in violation of 18 U.S.C. § 371, in the criminal case *United States v. Buswell, et al.*, Case No. 6:11-cr-00198, pending in the Western District of Louisiana. *Id.* at ¶ II.B.2. Fouke is currently awaiting sentencing. *Id.*
- The facts giving rise to the plea are that Fouke admitted he was present in meetings

¹ Buswell is the subject of a companion administrative proceeding, AP File No. 3-15829, which is currently stayed while the Commission considers Buswell's settlement offer.

when Buswell, his co-defendant in the criminal case, made false statements to clients regarding Buswell's credentials, the commissions Buswell would charge, and the rates of return Buswell was guaranteeing clients. *Id.* at ¶ II.B.3. Although he originally did not know these statements were false, Fouke later became aware they were not true. *Id.*

- Fouke also later learned Buswell did not explain to clients the risks of trading on margin and the riskiness of direct private placements Buswell was recommending. *Id.* He also became aware that information about clients' income and net worth had been falsified to make it appear they were accredited investors when they were not. *Id.*

2. Additional Evidence

In addition to the OIP allegations, the Division submits the following additional evidence showing we are entitled to the industry bar we request:

- Fouke's Plea Agreement in the criminal case, attached as Exhibit 2.
- Buswell's Plea Agreement in the same criminal case, attached as Exhibit 3.
- FINRA Report on Brookstone Securities, Inc., attached as Exhibit 4.
- Registration/Reporting Status and Form ADV for Brookstone Investment Advisory Services, attached as Exhibit 5.²
- Minutes of Court dated Sept. 6, 2013 for the Western District of Louisiana in Fouke's criminal case, attached as Exhibit 6.

These exhibits contain the following pertinent facts:

- Brookstone Securities was incorporated in Florida in 2005. Exhibit 4 at 1. Brookstone and its predecessors were registered as a broker-dealer from April 8, 1983 until October 9, 2012. *Id.* at 10. FINRA expelled the firm from the securities industry in October 2012. *Id.* at 1.
- Brookstone Investment Advisory Services, listed at the same Lakeland, Florida address as Brookstone Securities, was a registered investment adviser with the Commission. Exhibit 5 at 1-2. Brookstone Investment Advisory Services was registered with the Commission from approximately 2005 until its registration was terminated on June 20, 2012. *Id.*
- Buswell became a licensed stockbroker in 2006. Exhibit 2 (D.E. 168-2 at 1). That same year, he formed Bowman Investment group. *Id.* Bowman, located in

² Undersigned counsel printed out Exhibits 4 and 5 using the Commission's website, www.sec.gov, and related links.

Lafayette, Louisiana, operated until 2009. *Id.* Bowman used Brookstone Securities as its broker-dealer to conduct stock transactions. *Id.*

- Fouke became a client of Buswell's in 2006, and eventually was named the president of Bowman in 2008. Exhibit 2 (D.E. 168-2 at 2). Fouke became a registered representative in September 2008. *Id.*
- Fouke recruited some of his friends and business associates to become clients of Buswell and Bowman. *Id.* He sat in meetings in which Buswell made false statements to these clients about his credentials, commissions he would charge, and the rates of return clients could expect. *Id.* Fouke later learned these statements were false. *Id.*
- Fouke also learned Buswell misrepresented or omitted to tell clients that private placement offerings he was recommending to them were risky. Exhibit 2 (DE 168-2 at 3). Fouke also learned clients' financial information was falsified on forms Bowman sent to Brookstone to make it appear the clients investing in the private placements were accredited, when, in fact, many were not. *Id.* at 3-4.
- Buswell and Fouke caused Bowman clients to lose at least \$5 million. Exhibit 3 (DE 163-2 at 3). Buswell made \$1.7 million in commissions in 2008 and 2009. *Id.*
- Those facts led Fouke to plead guilty to one count of conspiring to commit securities fraud, investment advisor fraud, wire fraud, and mail fraud. Exhibit 2 (D.E. 168-3 at 1).
- The criminal judge accepted Fouke's guilty plea and rendered judgment against him on Sept. 6, 2013. Exhibit 6.

3. An Industry Bar Is An Appropriate Sanction

Because the Law Judge has determined Fouke to be in default, the only question left is what sanctions are appropriate under Exchange Act Section 15(b) and Advisers Act Section 203(f).

Exchange Act Section 15(b)(6)(A) authorizes the Commission to, among other things, bar from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical rating organization ("NRSRO") any person, who, at the time of the misconduct was associated with or seeking to become associated with a broker or dealer, if the person has been enjoined from any action

specified in Section 15(b)(4)(A)(D) or (E) of the Exchange Act, and if it is in the public interest. 15 U.S.C. §78(o)(b)(6)(A)(i); *In the Matter of Christopher A. Seeley*, AP File No. 3-15240, 2013 WL 5561106 at *13 (Oct. 9, 2013). Section 15(b)(4)(D) specifies that one of the actions giving rise to an industry bar is if the person has willfully violated any provision of the securities laws, including the Exchange Act. 15 U.S.C. §78(o)(b)(4)(D). Section 15(b)(6)(A) further allows the Commission to issue an industry bar from association against any person who has been convicted of a felony “involving the purchase or sale of a security” or arising “out of the conduct of the business of a broker, dealer . . . investment adviser” 15 U.S.C. §78(o)(b)(6)(A)(ii); 15 U.S.C. §78(o)(b)(4)(B)(i) and (ii).

Section 203(f) of the Advisers Act contains similar provisions permitting the Commission to issue an industry bar against anyone who has willfully violated a provision of the Exchange Act or been convicted of a felony involving the purchase or sale of a security or arising out of the business of a broker, dealer, or investment adviser, and who was associated with or seeking to become associated with an investment adviser. 15 U.S.C. §80(b)(3)(E) and (F).

There are three elements the Law Judge must determine to decide whether our proposed sanction is proper: (A) whether Fouke was associated with a registered investment adviser and/or broker-dealer at the time of his misconduct; (B) whether Fouke willfully violated a provision of the securities laws or was convicted of an applicable felony; and (C) whether it is in the public interest to bar him.

A. Fouke Was Associated With A Registered Entity

The OIP, Fouke’s plea agreement, and the Commission and FINRA statements about Brookstone (Exhibits 1, 2, 4, and 5) leave no doubt Fouke was associated with both a registered

broker-dealer and investment adviser at the time his misconduct occurred. Exhibits 4 and 5 establish that Brookstone Securities was a registered broker-dealer and Brookstone Investment Advisory Services was a registered investment adviser in 2008 and 2009. Fouke's plea agreement as well as the OIP state unequivocally that: (i) Fouke's misconduct occurred between September 2008 and April 2009; (ii) Fouke was a licensed stockbroker during that time; and (iii) Fouke was associated with Brookstone during the same time. Accordingly, the Division has met the first criteria for barring Fouke under Exchange Act Section 15(b)(6) and Advisers Act Section 203(f) because he was associated with the Brookstone entities.

B. Fouke Was Convicted Of A Felony

As noted above, both Exchange Act Section 15(b)(6) and Advisers Act Section 203(f) authorize the Law Judge to bar Fouke from the securities industry if he was convicted of a felony involving the purchase or sale of a security, or arising out of the business of a broker-dealer or investment adviser. Fouke's plea agreement and conviction establish both prerequisites. Fouke pleaded guilty to, and was convicted of, conspiracy to commit, among other crimes, securities fraud and investment advisor fraud. Exhibit 2 (DE 168-3 at 1); Exhibit 6. Among other things, the crime of conspiracy to commit securities fraud required that Fouke conspire to violate Exchange Act Section 10(b) and Rule 10b-5, which clearly involve the purchase or sale of a security. Exhibit 2 (DE 168-3 at 3). Similarly, the count to which Fouke pleaded guilty required him to conspire to deceive investment advisor clients in violation of the Advisers Act.

Furthermore, the factual basis for Fouke's plea agreement demonstrates his conviction (Exhibit 6 establishes the conviction) involved both the purchase or sale of a security and the business of a broker-dealer and investment adviser. As discussed in Section III.2 above, Fouke assisted Buswell in making a series of misrepresentations and omissions to clients of Bowman about securities the firm was recommending, including failing to adequately describe the risk of

margin trading and private placement investments, and misrepresenting rates of return and commissions. The misrepresentations and omissions caused clients to buy securities and lose at least \$5 million. The misrepresentations and omissions led clients to invest with Bowman, and Bowman made investors' trades with Brookstone securities. Accordingly, the conviction concerned a felony involving the purchase or sale of a security and the business of a broker-dealer or investment adviser, and therefore Division has met the second prerequisite for an industry bar.

C. An Industry Bar Is In The Public Interest

In determining whether an administrative sanction is in the public interest, the Commission considers the factors outlined in *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979): (1) the egregiousness of a respondent's actions; (2) the isolated or recurrent nature of the violations; (3) the degree of scienter involved; (4) the respondent's assurances against future violations; (5) the respondent's recognition of the wrongful nature of his conduct; and (6) the likelihood the respondent's occupation will present opportunities for future violations. *See also In the Matter of KPMG Peat Marwick, LLP*, AP File No. 3-9500, 2001 WL 47245 at *23-26 (Jan. 19, 2001), *aff'd sub nom KPMG v. SEC*, 289 F.3d 109 (D.C. Cir. 2002); *Peak Wealth Opportunities*, 2013 WL 812635 at *9-10; *Christopher Seeley*, 2013 WL 5561106 at *14. No one factor controls. *SEC v. Fehn*, 97 F.3d 1276, 1295-96 (9th Cir. 1996).

Here, at least five of the six factors weigh in favor of an industry bar. First, Fouke's actions were egregious. The OIP and the two plea agreements (Exhibits 1-3) set forth a scheme where Fouke recruited friends and associates to become clients of Buswell and Bowman, sat through presentations in which Buswell lied to them, and then did nothing about it when he found out Buswell was making false statements. Also, Fouke knew Bowman was

misrepresenting the net worth and financial status of clients to Brookstone to make it appear they were accredited investors and so could purchase the private placements and other securities the firm was recommending. The misconduct caused investors to lose at least \$5 million.

Second, Fouke's actions were recurrent, continuing for several months and involving many clients. For the same reasons as discussed in the preceding paragraph, Fouke showed a high level of scienter, in particular for not notifying clients once he found out about the misrepresentations and omissions.

Fourth, Fouke has not appeared or defended in this case, and so has not given any assurances against future violations of the securities laws. The fifth factor – Fouke's recognition of his wrongful conduct – is the one factor that may not weigh in favor of a bar. Fouke pleaded guilty in the criminal case, which involved acknowledging his misconduct. Sixth, unless Fouke is barred from the securities industry he will have the chance to reoffend.

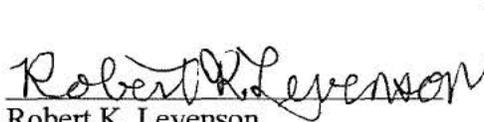
Finally, it is in the public interest to collaterally bar Fouke from all association with the securities industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, added collateral bars as sanctions under Exchange Act Section 15(b)(6) and Advisers Act Section 203(f). The Commission has held that Dodd-Frank's collateral bars "are prospective remedies whose purpose is to protect the investing public from future harm," and therefore applying the bars to address pre-Dodd-Frank conduct is "not impermissibly retroactive." *In the Matter of John W. Lawton*, AP File No. 3-14162, 2012 WL 6208750 at *10 (Dec. 13, 2012). Accordingly, the Law Judge should bar Fouke from the securities industry, even though his conduct occurred in 2008 and 2009, before the enactment of Dodd-Frank.

IV. Conclusion

For all the reasons discussed above, the Division asks the Law Judge to sanction Fouke

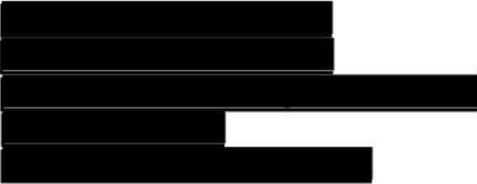
by barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or NRSRO.

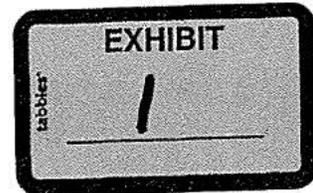
Respectfully submitted,



Robert K. Levenson
Regional Trial Counsel
Direct Line: (305) 982-6341
levensonr@sec.gov

DIVISION OF ENFORCEMENT
SECURITIES AND EXCHANGE COMMISSION
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Miami, FL 33131
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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71908 / April 8, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3814 / April 8, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15830

In the Matter of

HERBERT STEVEN FOUKE,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION 15(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act") against Herbert Steven Fouke ("Respondent" or "Fouke").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. At the time of the relevant conduct and from September 2008 to April 2009, Respondent was a registered representative at, and a person associated with, Brookstone Securities, Inc., also d/b/a Brookstone Investment Advisory Services, a firm that was located in Lakeland, Florida and was formerly registered with the Commission as a broker-dealer and an investment adviser. Respondent, 55 years old, is a resident of Lafayette, Louisiana.

B. RESPONDENT'S CRIMINAL CONVICTION

2. On September 6, 2013, Fouke pleaded guilty to one count of conspiracy in violation of Title 18 United States Code, Section 371 before the United States District Court for the Western District of Louisiana, in *United States v. Buswell et al*, Crim. No. 6:11-cr00198-RTH-PJH. Fouke is currently awaiting sentencing.

3. Pursuant to the plea agreement, Fouke admitted that he was present at meetings when Richard J. Buswell ("Buswell"), his co-defendant, made false statements to clients regarding Buswell's credentials, the commissions he would charge, and the rates of returns that he guaranteed the clients would receive. According to the plea agreement, when Buswell made the statements Fouke was not aware of their falsity; however, at some point he became aware that the statements were false. Fouke also became aware that Buswell did not explain the high risk nature of various Direct Private Placements that were recommended to clients. He also became aware that information about the clients' net worth and income had been falsified on Bowman Investment Group LLC forms, so some of the clients would appear to be accredited investors when, in fact, they were not. Fouke also became aware that Buswell did not explain the risks of trading on margin to clients.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act; and

D. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.


Jill M. Peterson
Assistant Secretary

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DATE 9/6/13
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EXHIBIT
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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION

UNITED STATES OF AMERICA	*	CRIMINAL NO. 11-CR-00198-02
	*	
VERSUS	*	
	*	
HERBERT S. FOUKE a/k/a	*	JUDGE HAIK
STEVE FOUKE d/b/a	*	
BOWMAN INVESTMENT GROUP, L.L.C.	*	MAGISTRATE JUDGE HANNA

PLEA AGREEMENT

A. INTRODUCTION

1. This document contains the complete plea agreement between the Government and HERBERT S. FOUKE a/k/a STEVE FOUKE d/b/a BOWMAN INVESTMENT GROUP, L.L.C., the Defendant. No other agreement, understanding, promise, or condition exists, nor will any such agreement, understanding, promise or condition exist unless it is committed to writing in an amendment attached to this document and signed by the Defendant, an attorney for the Defendant, and an attorney for the Government. The terms of this plea agreement are only binding on the Defendant and the Government if the Court accepts the Defendant's guilty plea.

B. THE DEFENDANT'S OBLIGATIONS

1. Defendant, HERBERT S. FOUKE, shall appear in open court and plead guilty to Count 1 of the Indictment pending in this case.

ATTEST A TRUE COPY
TONY R. MOORE, CLERK
USDC, WESTERN DISTRICT OF LA
BY *Sam*
DATE 02/5/14

C. THE GOVERNMENT'S OBLIGATIONS

1. If the Defendant, HERBERT S. FOUKE, a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., completely fulfills all of his obligations and agreements under this plea agreement, the Government agrees to dismiss Counts 2 and 4 as it pertains to defendant, HERBERT S. FOUKE, and it will not prosecute the Defendant for any other offense known to the United States Attorney's Office, based on the investigation which forms the basis of the Indictment.

2. The Government will and hereby moves pursuant to U.S.S.G. § 3E1.1(b) for the Defendant to receive a one point reduction in his offense level should that offense level be 16 or greater, as the Defendant has assisted authorities in the investigation or prosecution of his own misconduct by timely notifying authorities of his intention to enter a plea of guilty, thereby permitting the Government to avoid preparing for trial and permitting the Government and the Court to allocate their resources efficiently.

D. SENTENCING

Defendant, HERBERT S. FOUKE, a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., understands and agrees that:

1. the maximum punishment on Count 1 is a term of imprisonment of not more than five (5) years pursuant to 18 U.S.C. § 371; or a fine of not more than \$250,000.00 pursuant to 18 U.S.C. § 3571, or both;

2. he shall be required to pay a special assessment of \$100 at the time of the guilty plea by means of a cashier's check, bank official check, or money order payable to "Clerk, U.S. District Court;"

3. he may receive a term of Supervised Release of at least one (1) year but not more than three (3) years in addition to any term of imprisonment imposed by the Court, pursuant to 18 U.S.C. § 3583(b) and U.S.S.G. § 5D1.2;

4. a violation of any condition of Supervised Release at any time during the period of Supervised Release may result in the Defendant being incarcerated over and above any period of imprisonment initially ordered by the Court;

5. the period of incarceration for a violation of a condition of Supervised Release could be as much as the full term of Supervised Release initially ordered by the Court regardless of the amount of time of the Supervised Release the Defendant had successfully completed;

6. in addition to the penalties set forth in the preceding paragraphs, the Court must order restitution in this case pursuant to 18 U.S.C. § 3663A, and the Defendant agrees that restitution in this case is not limited to the amounts or victims referred to in the specific charge to which he has pled guilty and will be determined by the Court after a complete review of the evidence developed in the investigation of this case by the Government and further investigation by the U. S. Probation Office as contained in the Presentence Report;

7. any fine and/or restitution imposed as part of the Defendant's sentence will be made due and payable immediately, that the Defendant will be held liable for all restitution and any federal income tax refund received by the Defendant from the Internal Revenue Service while there is an outstanding fine and/or restitution shall be applied toward the fine and/or restitution award;

8. as part of the pre-sentence investigation, the Government will make available to the Court all evidence developed in the investigation of this case;

9. this case is governed by the Sentencing Reform Act, as modified by United States v. Booker, 543 U.S. 220 (2005), that he has discussed the Sentencing Guidelines and their applicability with his counsel, and understands and acknowledges that a final determination of the applicable guidelines range cannot be made until the completion of the pre-sentence investigation;

10. the sentencing judge alone will decide what sentence to impose; and,

11. the failure of the Court to adhere to a sentencing recommendation tendered by counsel shall not be a basis for setting aside the guilty plea which is the subject of this agreement.

E. COOPERATION

1. The Defendant agrees to cooperate fully and truthfully in the Government's investigation into this and any other criminal matter about which the defendant has knowledge.

2. Cooperation shall include, but is not limited to, testifying before the grand jury or at trial if requested. The Defendant understands that his failure to testify truthfully can result in the Defendant being prosecuted for perjury or giving false statements and in the Government withdrawing from his Plea Agreement.

3. The Defendant understands that while he is being offered use immunity for all prospective statements to law enforcement agents and testimony, given as a result of this agreement, such statements and testimony are subject to the penalties of perjury and giving false statements if not completely honest and factual, and that this Plea Agreement can be withdrawn if the Defendant makes false statements or substantially misrepresents his role in the offense.

4. At or before the time of sentencing, the United States will advise the Court of any assistance provided by the Defendant.

5. The United States may, but shall not be required to, make a motion requesting the Court to depart from the sentencing range called for by the guidelines in the event he provides "substantial assistance." This decision shall be in the sole and non-reviewable discretion of the United States Attorney.

6. It is understood and agreed that a motion for departure shall not be made under any circumstances unless the Defendant's cooperation is deemed "substantial" by the United States Attorney. The United States has made no promise, implied or otherwise, that the Defendant will be granted a "departure" for "substantial assistance." Further, no promise has been made that a motion will be made for departure even if the Defendant complies with the terms of this agreement in all respects, but has been unable to provide "substantial assistance."

7. It is understood that even if a motion for departure is made by the Government, based upon the Defendant's perceived "substantial assistance," the final decision as to how much, if any, reduction in sentence is warranted because of that assistance, rests solely with the District Court.

F. REINSTATEMENT OF ORIGINAL INDICTMENT

1. Defendant, HERBERT S. FOUKE, understands and agrees that should this plea be overturned for any reason at a later date, the Indictment, in its entirety, will be automatically reinstated without need for presentment to a Grand Jury or any motion or other action by the Government.

**G. SIGNATURE OF ATTORNEY FOR THE DEFENDANT, THE DEFENDANT,
AND THE ATTORNEY FOR THE GOVERNMENT**

I have read this plea agreement and have discussed it fully with my client, HERBERT S. FOUKE a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C. It accurately and completely sets forth the entire plea agreement. I concur in HERBERT S. FOUKE, pleading guilty as set forth in this plea agreement.

Dated: 8/28/13



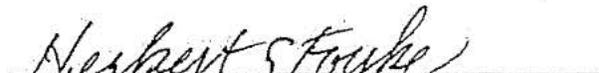
CAROL B. WHITEHURST
Assistant Federal Public Defender
102 Versailles Boulevard, Suite 816
Lafayette, LA 70501
(337) 262-6336
Counsel for Defendant

I have read this plea agreement and have discussed it with my attorney. I fully understand the plea agreement and accept and agree to it without reservation. I do this voluntarily and of my own free will. No threats have been made to me, nor am I under the influence of anything that could impede my ability to fully understand this plea agreement.

I affirm that absolutely no promises, agreements, understandings, or conditions have been made or entered into in connection with my decision to plead guilty except those set forth in this plea agreement.

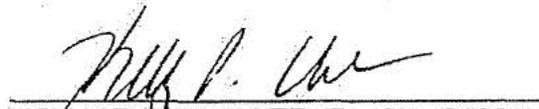
I am satisfied with the legal services provided by my attorney in connection with this plea agreement and the matters related to this case.

Dated: 8-28-13


HERBERT S. FOUKE
Defendant

I accept and agree to this plea agreement on behalf of the United States of America.

Dated: 8/29/13


KELLY P. UEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

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USDC, WESTERN DISTRICT OF LA
TONY R. MOORE, CLERK
DATE 9/16/13

U. S. Department of Justice
United States Attorney

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF LOUISIANA

UNITED STATES OF AMERICA

Lafayette Division
Criminal No. 11-CR-00198-02

VERSUS

HERBERT S. FOUKE a/k/a STEVE FOUKE
d/b/a BOWMAN INVESTMENT GROUP, L.L.C.

JUDGE HAIK
MAGISTRATE JUDGE HANNA

AFFIDAVIT OF UNDERSTANDING OF MAXIMUM PENALTY AND CONSTITUTIONAL RIGHTS

I, HERBERT S. FOUKE a/k/a STEVE FOUKE d/b/a BOWMAN INVESTMENT GROUP, L.L.C., the above-named defendant, having been first duly sworn and placed under oath by the Clerk or his Deputy of the United States District Court, state that I have been advised and personally addressed by the Court (Judge) as to the nature of the charge against me, and, having been furnished a copy of the charge, hereby state that I understand the charge and that the Court has addressed me personally as to the maximum possible penalty that may be imposed against me, as follows:

COUNT 1 - PENALTY: A term of imprisonment of not more than five (5) years pursuant to Title 18, United States Code, Section 371; a fine of not more than \$250,000.00 pursuant to Title 18, United States Code, Section 3571, or both; a term of supervised release of at least one (1) year but not more than three (3) years pursuant to Title 18, United States Code, Section 3583(b)(2) and U.S.S.G. § 5D1.2(a)(2); and a special assessment fee of \$100.00, pursuant to Title 18, United States Code, Section 3013, which under this agreement is payable and due at the time his guilty plea is entered, and defendant agrees to tender the \$100.00 special assessment by certified check or money order, payable to "Clerk, U.S. District Court."

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TONY R. MOORE, CLERK
USDC, WESTERN DISTRICT OF LA
BY Betty R. [Signature]
DATE 2/5/14

I, HERBERT S. FOUKE, a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., further state that I understand and the Court has addressed me personally at the arraignment proceeding as to:

1. My right to be represented by counsel (a lawyer) of my choice, or if I cannot afford counsel, my right to be represented by court-appointed counsel at no cost to me.

2. My right to have a jury trial with twelve jurors who must all agree as to my guilt in order to convict.

3. My right not to be required to testify against myself, or at all, if I do not so desire.

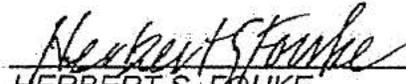
4. My right to confront and cross-examine witnesses against me and my right to have compulsory process to require witnesses to testify.

5. My right to plead guilty or not guilty.

I, HERBERT S. FOUKE, a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., realize that by pleading guilty I will stand convicted of the crime charged and thereby waive my privilege against self-incrimination, my right to jury trial, my right to confront and cross-examine witnesses, and my right of compulsory process.

I, HERBERT S. FOUKE, a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., further state that my plea in this matter is free and voluntary, and that it has been made without any threats or inducements whatsoever from anyone associated with the State or United States Government, and that the only reason I am pleading guilty is that I am in fact guilty as charged. The Court has given me the opportunity to make any statement desired.

Sworn to and subscribed before me this 6th day of September, 2013, in
Open Court in Lafayette, Louisiana.



HERBERT S. FOUKE

Defendant



CAROL B. WHITEHURST

Assistant Federal Public Defender

102 Versailles Boulevard, Suite 816

Lafayette, LA 70501

(337) 262-6336

Counsel for Defendant

CLERK OR DEPUTY CLERK OF COURT

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USDC, WESTERN DISTRICT OF LA
TONY R. MOORE, CLERK
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**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA**

LAFAYETTE DIVISION

UNITED STATES OF AMERICA	*	CRIMINAL NO. 11-CR-00198-02
	*	
VERSUS	*	
	*	
HERBERT S. FOUKE a/k/a	*	JUDGE HAIK
STEVE FOUKE d/b/a	*	
BOWMAN INVESTMENT GROUP, L.L.C.	*	MAGISTRATE JUDGE HANNA

STIPULATED FACTUAL BASIS FOR GUILTY PLEA

NOW INTO COURT, comes the UNITED STATES OF AMERICA, through the undersigned Assistant United States Attorney, and the Defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., represented by his undersigned counsel, CAROL B. WHITEHURST, and for purposes of providing the Court with a factual basis for a plea agreement pursuant to Rule 11(b)(3) of the Federal Rules of Criminal Procedure, stipulate as follows:

The co-defendant, Richard J. Buswell, became a licensed stockbroker, also known as a registered representative, in January 2006. BOWMAN INVESTMENT GROUP, L.L.C. ("BOWMAN") was formed by Richard J. Buswell in 2006 and operated until 2009. BOWMAN was located in Lafayette, Louisiana. Brookstone Securities ("Brookstone") is a broker dealer located in Lakeland, Florida, that is registered with the Securities and Exchange Commission (SEC). BOWMAN used Brookstone as its broker dealer in order to conduct trades on the New York Stock Exchange and to conduct other transactions:

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BY Bobby Walker
DATE 2/5/14

The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, became a client of Richard Buswell's in 2006. At the time, the defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, was a residential contractor and the owner of Woodbridge Builders. In early 2008, HERBERT S. FOUKE a/k/a STEVE FOUKE began to transition out of the home-building business and sought to change his career path. He invested in BOWMAN and, although he was not a licensed stockbroker, was named President by the other members of the board, including the co-defendant, Richard J. Buswell. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, did not become a licensed stockbroker until September 2008, shortly before he closed on his final home-building project with Woodbridge Builders in October 2008.

Because he was not a licensed stockbroker, HERBERT S. FOUKE a/k/a STEVE FOUKE did not have any of his own clients. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, however, recruited some of his friends and business associates to become clients of the co-defendant, Richard J. Buswell, and BOWMAN. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, was present at meetings between the co-defendant, Richard J. Buswell, and the clients, during which the co-defendant, Richard J. Buswell, made false statements to the clients regarding his credentials, the commissions he would charge and the rates of return that he guaranteed the clients would receive. At the time these meetings took place, the defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, was not aware that the statements made by co-defendant Richard J. Buswell to the clients were false, but became aware that such statements were false at a later date.

A Direct Private Placement occurs when a private company sells stock or notes in order to raise money. Federal Security Laws, Rules and Regulations require licensed stockbrokers to conduct a suitability analysis, before placing clients in these high risk products. One of the requirements is that a client be considered an "accredited investor," before the client can purchase the stock or notes of a private placement. In order to be considered an "accredited investor," a client must have a certain income threshold over a period of time and must have a liquid net worth above a specific amount.

A Direct Private Placement which was offered by BOWMAN as an investment product was Advanced Blast Protection, Inc. Some of the BOWMAN clients were placed in Advanced Blast Protection and other high risk Direct Private Placements, even though the investments were not suitable for them. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, and his wife also invested money in Advanced Blast Protection, through the co-defendant, Richard J. Buswell, prior to the defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, becoming a licensed stockbroker. The co-defendant, Richard J. Buswell, did not explain the high risk nature of these investments to the clients. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, became aware that the co-defendant did not explain the high risk nature of these investments to the clients. He also became aware during the time period alleged in the conspiracy, that clients' net worth and income information was falsified on BOWMAN forms, so that it would appear that some of the clients were accredited investors, when in fact they were not. He was also aware that these falsified forms were sent via fax or mail to BROOKSTONE so that the purchases could be made.

In furtherance of the scheme and artifice to defraud, the clients were required to sign customer margin agreements. The co-defendant, Richard J. Buswell, did not explain the risk of trading on margin to them. The defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, became aware that the co-defendant, Richard J. Buswell, did not explain the risk of margin trading to clients.

In furtherance of the scheme and artifice to defraud, the defendant, HERBERT S. FOUKE a/k/a STEVE FOUKE, was aware that the mails and interstate wire communication facilities were used in order to facilitate the mail and wire fraud scheme as detailed in Counts 5-27.

The parties stipulate that the offense took place in the Western District of Louisiana.



HERBERT S. FOUKE
Defendant

9.6.13

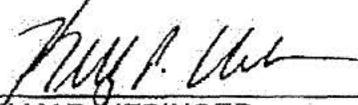
DATE



CAROL B. WHITEHURST
Assistant Federal Public Defender
102 Versailles Boulevard, Suite 816
Lafayette, LA 70501
(337) 262-6336
Counsel for Defendant

9/6/13

DATE



KELLY P. UEBINGER
Assistant United States Attorney
800 Lafayette Street, Suite 2200
Lafayette, LA 70501
(337) 262-6618

9/6/13

DATE

RECEIVED

USDC, WESTERN DISTRICT OF LA
TONY R. MOORE, CLERK

DATE 9/6/13

OR

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAFAYETTE DIVISION

UNITED STATES OF AMERICA

*

CRIMINAL NO. 11-CR-00198-02

*

VERSUS

*

*

HERBERT S. FOUKE *alk/a*

*

JUDGE HAIK

STEVE FOUKE *d/b/a*

*

BOWMAN INVESTMENT GROUP, L.L.C.

*

MAGISTRATE JUDGE HANNA

ELEMENTS

Conspiracy

[18 U.S.C. § 371]

Title 18, United States Code, Section 371, makes it a crime for anyone to conspire with someone else to commit an offense against the laws of the United States.

The defendant is charged with conspiring to commit securities fraud, investment advisor fraud, wire fraud and mail fraud as more fully alleged in the Indictment.

A "conspiracy" is an agreement between two or more persons to join together to accomplish some unlawful purpose. It is a kind of "partnership in crime" in which each member becomes the agent of every other member.

For you to be found guilty of this crime, the government must prove each of the following beyond a reasonable doubt:

First: That the defendant and at least one other person made an agreement to commit the crime of securities fraud, investment advisor fraud, wire fraud and mail fraud as charged in the Indictment;

Second: That the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose; and,

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USDC, WESTERN DISTRICT OF LA
BY *B. J. [Signature]*
DATE 2/5/14

Third: That one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the Indictment, in order to accomplish some object or purpose of the conspiracy.

One may become a member of a conspiracy without knowing all the details of the unlawful scheme or the identities of all the other alleged conspirators. If a defendant understands the unlawful nature of a plan or scheme and knowingly and intentionally joins in that plan or scheme on one occasion, that is sufficient to convict him of conspiracy even though the defendant had not participated before and even though the defendant played only a minor part.

The government need not prove that the alleged conspirators entered into any formal agreement, nor that they directly stated between themselves all the details of the scheme. Similarly, the government need not prove that all of the details of the scheme alleged in the Indictment were actually agreed upon or carried out. Nor must it prove that all of the persons alleged to have been members of the conspiracy were such, or that the alleged conspirators actually succeeded in accomplishing their unlawful objectives.

Mere presence at the scene of an event, even with knowledge that a crime is being committed, or the mere fact that certain persons may have associated with each other, and may have assembled together and discussed common aims and interests, does not necessarily establish proof of the existence of a conspiracy. Also, a person who has no knowledge of a conspiracy, but who happens to act in a way which advances some purpose of a conspiracy, does not thereby become a conspirator.

Securities Fraud
[15 U.S.C. §§ 78j(b) and 78ff]
[17 C.F.R. § 240.10b-5]

In order for you to be found guilty of the charge of **Securities Fraud**, the government must prove each of the following elements beyond a reasonable doubt:

Securities Fraud - 15 U.S.C. § 78j(b)

- First:* That the defendant or co-defendant, Richard J. Buswell, directly or indirectly, by the use and means or instrumentality of interstate commerce, or of the mails, or of any facility of the national securities exchange;
- Second:* Used or employed, in connection with the purchase or sale of any registered security or any security not so registered;
- Third:* Any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. (Fraudulent conduct is defined in Rule 10b-5.)

Securities Fraud - 17 C.F.R. § 240.10b-5

- (a) To employ any device, scheme or artifice to defraud;
- (b) To make any untrue statement of a material fact, or to omit to state a material fact necessary in order to make the statements made, and the light of the circumstances under which they were made, not misleading; or
- (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;
- (d) In connection with the purchase or sale of any security.

Investment Advisor Fraud
[15 U.S.C. §§ 80b-6 and 80b-17]

In order for you to be found guilty of the charge of **Investment Advisor Fraud**, the government must prove each of the following elements beyond a reasonable doubt:

- First:* That the defendant or co-defendant, Richard J. Buswell, unlawfully, willfully, and knowingly;
- Second:* By the use of the mails and means and instrumentalities of interstate commerce, directly and indirectly did:
- Third:*
- (a) Employ devices, schemes and artifices to defraud clients and prospective clients;
 - (b) Engage in transactions, practices and courses of business, which operated as a fraud and deceit upon clients and prospective clients; and,
 - (c) Engage in acts, practices and courses of business that were fraudulent, deceptive and manipulative.

Wire Fraud
[18 U.S.C. § 1343]

Title 18, United States Code, Section 1343, makes it a crime for anyone to use interstate wire communications facilities in carrying out a scheme to defraud.

For you to be found guilty of this crime, the government must prove each of the following beyond a reasonable doubt:

- First:* That the defendant or co-defendant, Richard J. Buswell, knowingly created a scheme to defraud as detailed in Count 1 (Paragraphs D-1 through D-23) in the Indictment;
- Second:* That the defendant or co-defendant, Richard J. Buswell, acted with a specific intent to commit fraud;
- Third:* That the defendant or co-defendant, Richard J. Buswell, used interstate wire communication facilities for the purpose of carrying out the scheme; and,

Fourth: That the scheme to defraud employed false material representations.

A "scheme to defraud" includes any scheme to deprive another of money, property, or of the intangible right to honest services by means of false or fraudulent pretenses, representations, or promises.

An "intent to defraud" means an intent to deceive or cheat someone.

A representation is "false" if it is known to be untrue or is made with reckless indifference as to its truth or falsity. A representation would also be "false" when it constitutes a half truth, or effectively omits or conceals a material fact, provided it is made with intent to defraud.

A false statement is "material" if it has a natural tendency to influence, or is capable of influencing, the decision of the person or entity to which it is addressed.

It is not necessary that the government prove all of the details alleged in the Indictment concerning the precise nature and purpose of the scheme, or that the material transmitted by wire was itself false or fraudulent, or that the alleged scheme actually succeeded in defrauding anyone, or that the use of interstate wire communications facilities was intended as the specific or exclusive means of accomplishing the alleged fraud.

What must be proved beyond a reasonable doubt is that the defendant or co-defendant, Richard J. Buswell, knowingly devised or intended to devise a scheme to defraud that was substantially the same as the one alleged in the Indictment, and that the use of the interstate wire communications facilities was closely related to the

scheme because the defendant or co-defendant, Richard J. Buswell, either wired something or caused it to be wired in interstate commerce in an attempt to execute or carry out the scheme. To "cause" interstate wire communications facilities to be used is to do an act with knowledge that the use of the wire facilities will follow in the ordinary course of business or where such use can reasonably be foreseen.

Each separate use of the interstate wire communications facilities in furtherance of a scheme to defraud constitutes a separate offense.

Mail Fraud
[18 U.S.C. § 1341]

Title 18, United States Code, Section 1341, makes it a crime for anyone to use the mails in carrying out a scheme to defraud.

For you to be found guilty of this crime, the government must prove each of the following beyond a reasonable doubt:

- First:* That the defendant or co-defendant, Richard J. Buswell, knowingly created a scheme to defraud, that is more fully detailed in Count 1 (Paragraphs D-1 through D-23) of the Indictment;
- Second:* That the defendant or co-defendant, Richard J. Buswell, acted with a specific intent to defraud;
- Third:* That the defendant or co-defendant, Richard J. Buswell, mailed something [caused another person to mail something] through the United States Postal Service [a private or commercial interstate carrier] for the purpose of carrying out the scheme; and,
- Fourth:* That the scheme to defraud employed false material representations.

A "scheme to defraud" includes any scheme to deprive another of money, property, or of the intangible right to honest services by means of false or fraudulent pretenses, representations, or promises.

An "intent to defraud" means an intent to deceive or cheat someone.

A representation is "false" if it is known to be untrue or is made with reckless indifference as to its truth or falsity. A representation would also be "false" when it constitutes a half truth, or effectively omits or conceals a material fact, provided it is made with intent to defraud.

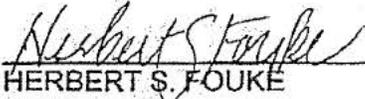
A false statement is "material" if it has a natural tendency to influence, or is capable of influencing, the decision of the person or entity to which it is addressed. It is not necessary that the government prove all of the details alleged in the Indictment concerning the precise nature and purpose of the scheme, or that the mailed material was itself false or fraudulent, or that the alleged scheme actually succeeded in defrauding anyone, or that the use of the mail was intended as the specific or exclusive means of accomplishing the alleged fraud.

What must be proved beyond a reasonable doubt is that the defendant or co-defendant, Richard J. Buswell, knowingly devised or intended to devise a scheme to defraud that was substantially the same as the one alleged in the Indictment, and that the use of the mails was closely related to the scheme, in that the defendant or co-defendant, Richard J. Buswell, either mailed something or caused it to be mailed in an attempt to execute or carry out the scheme. To "cause" the mails to be used is to do an act with knowledge that the use of the mails will follow in the ordinary course of

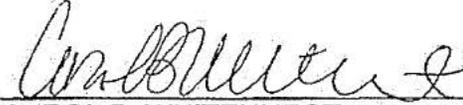
business or where such use can reasonably be foreseen even though the defendant or co-defendant, Richard J. Buswell, did not intend or request the mails to be used.

Each separate use of the mails in furtherance of a scheme to defraud constitutes a separate offense.

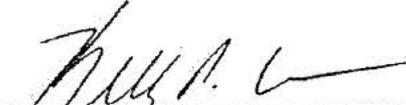
If the case were to proceed to trial, the government would also have the burden of proving proper venue - that is the government would have to prove by a preponderance of the evidence that the offense was begun, continued, or completed in one of the Parishes that make up the Western District of Louisiana.


HERBERT S. FOUKE
Defendant

9-6-13
DATE


CAROL B. WHITEHURST
Assistant Federal Public Defender
102 Versailles Boulevard, Suite 816
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(337) 262-6336
Counsel for Defendant

9/6/13
DATE


KELLY P. JEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

9/6/13
DATE

U. S. DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
RECORDED - LAFAYETTE

JUL 24 2013

TONY R. MOORE, CLERK
BY [Signature] CLERK

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA



LAFAYETTE DIVISION

UNITED STATES OF AMERICA	*	CRIMINAL NO. 11-CR-00198-01
	*	
VERSUS	*	
	*	
RICHARD J. BUSWELL d/b/a	*	JUDGE HAIK
BOWMAN INVESTMENT GROUP, L.L.C.	*	MAGISTRATE JUDGE HANNA

PLEA AGREEMENT

A. INTRODUCTION

1. This document contains the complete plea agreement between the Government and RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., the Defendant. No other agreement, understanding, promise, or condition exists, nor will any such agreement, understanding, promise or condition exist unless it is committed to writing in an amendment attached to this document and signed by the Defendant, an attorney for the Defendant, and an attorney for the Government. The terms of this plea agreement are only binding on the Defendant and the Government if the Court accepts the Defendant's guilty plea.

B. THE DEFENDANT'S OBLIGATIONS

1. Defendant, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., shall appear in open court and plead guilty to Count 5 of the Indictment pending in this case.

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TONY R. MOORE, CLERK
USDC, WESTERN DISTRICT OF LA.
BY [Signature]
DATE 2/5/14

C. THE GOVERNMENT'S OBLIGATIONS

1. If the Defendant, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., completely fulfills all of his obligations and agreements under this plea agreement, the Government agrees to dismiss Counts 1-3 and 6-28 as it pertains to defendant, RICHARD J. BUSWELL, and it will not prosecute the Defendant for any other offense known to the United States Attorney's Office, based on the investigation which forms the basis of the Indictment.

2. The Government will and hereby moves pursuant to U.S.S.G. § 3E1.1(b) for the Defendant to receive a one point reduction in his offense level should that offense level be 16 or greater, as the Defendant has assisted authorities in the investigation or prosecution of his own misconduct by timely notifying authorities of his intention to enter a plea of guilty, thereby permitting the Government to avoid preparing for trial and permitting the Government and the Court to allocate their resources efficiently.

D. SENTENCING

Defendant, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., understands and agrees that:

1. the maximum punishment on Count 5 is a term of imprisonment of not more than twenty (20) years pursuant to 18 U.S.C. § 1343; or a fine of not more than \$250,000.00 pursuant to 18 U.S.C. § 3571, or both;

2. he shall be required to pay a special assessment of \$100 at the time of the guilty plea by means of a cashier's check, bank official check, or money order payable to "Clerk, U.S. District Court;"

3. he may receive a term of Supervised Release of not less than two (2) years nor more than three (3) years in addition to any term of imprisonment imposed by the Court, pursuant to 18 U.S.C. § 3583(b) and U.S.S.G. § 5D1.2;

4. a violation of any condition of Supervised Release at any time during the period of Supervised Release may result in the Defendant being incarcerated over and above any period of imprisonment initially ordered by the Court;

5. the period of incarceration for a violation of a condition of Supervised Release could be as much as the full term of Supervised Release initially ordered by the Court regardless of the amount of time of the Supervised Release the Defendant had successfully completed;

6. in addition to the penalties set forth in the preceding paragraphs, the Court must order restitution in this case pursuant to 18 U.S.C. § 3663A and the Defendant agrees that restitution in this case is not limited to the amounts or victims referred to in the specific charge to which he has pled guilty and will be determined by the Court after a complete review of the evidence developed in the investigation of this case by the Government and further investigation by the U. S. Probation Office as contained in the Presentence Report;

7. any fine and/or restitution imposed as part of the Defendant's sentence will be made due and payable immediately, that the Defendant will be held liable for all

restitution and any federal income tax refund received by the Defendant from the Internal Revenue Service while there is an outstanding fine and/or restitution shall be applied toward the fine and/or restitution award;

8. as part of the pre-sentence investigation, the Government will make available to the Court all evidence developed in the investigation of this case;

9. this case is governed by the Sentencing Reform Act, as modified by United States v. Booker, 543 U.S. 220 (2005), that he has discussed the Sentencing Guidelines and their applicability with his counsel, and understands and acknowledges that a final determination of the applicable guidelines range cannot be made until the completion of the pre-sentence investigation;

10. the sentencing judge alone will decide what sentence to impose;

11. the Government agrees not to oppose the defense request that the sentence imposed in this case run concurrently to the sentence imposed in the matter entitled *United States v. Alexander Derrick Reece, et al*, Docket No. 6:12-CR-00146-07 in the Western District of Louisiana, provided that the defendant complies with this plea agreement and also pleads guilty in Docket No. 6:12-CR-00146-07;

12. the Government does not oppose a sentence imposed within the guideline range as calculated by the U. S. Probation Office; and,

13. the failure of the Court to adhere to a sentencing recommendation tendered by counsel shall not be a basis for setting aside the guilty plea which is the subject of this agreement.

E. COOPERATION

1. The Defendant agrees to cooperate fully and truthfully in the Government's investigation into this and any other criminal matter about which the defendant has knowledge.

2. Cooperation shall include, but is not limited to, testifying before the grand jury or at trial if requested. The Defendant understands that his failure to testify truthfully can result in the Defendant being prosecuted for perjury or giving false statements and in the Government withdrawing from his Plea Agreement.

3. The Defendant understands that while he is being offered use immunity for all prospective statements to law enforcement agents and testimony, given as a result of this agreement, such statements and testimony are subject to the penalties of perjury and giving false statements if not completely honest and factual, and that this Plea Agreement can be withdrawn if the Defendant makes false statements or substantially misrepresents his role in the offense.

4. At or before the time of sentencing, the United States will advise the Court of any assistance provided by the Defendant.

5. The United States may, but shall not be required to, make a motion requesting the Court to depart from the sentencing range called for by the guidelines in the event he provides "substantial assistance." This decision shall be in the sole and non-reviewable discretion of the United States Attorney.

6. It is understood and agreed that a motion for departure shall not be made under any circumstances unless the Defendant's cooperation is deemed "substantial" by the United States Attorney. The United States has made no promise, implied or otherwise, that the Defendant will be granted a "departure" for "substantial assistance." Further, no promise has been made that a motion will be made for departure even if the Defendant complies with the terms of this agreement in all respects, but has been unable to provide "substantial assistance."

7. It is understood that even if a motion for departure is made by the Government, based upon the Defendant's perceived "substantial assistance," the final decision as to how much, if any, reduction in sentence is warranted because of that assistance, rests solely with the District Court.

F. REINSTATEMENT OF ORIGINAL INDICTMENT

1. Defendant, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., understands and agrees that should this plea be overturned for any reason at a later date, the Indictment, in its entirety, will be automatically reinstated without need for presentment to a Grand Jury or any motion or other action by the Government.

**G. SIGNATURE OF ATTORNEY FOR THE DEFENDANT, THE DEFENDANT,
AND THE ATTORNEY FOR THE GOVERNMENT**

I have read this plea agreement and have discussed it fully with my client, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C. It accurately and completely sets forth the entire plea agreement. I concur in RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., pleading guilty as set forth in this plea agreement.

Dated: 7/18/13


IAN F. HIPWELL and
ANDRE' BELANGER
8075 Jefferson Highway
Baton Rouge, LA 70809
(225) 383-9703
Counsel for Defendant

I have read this plea agreement and have discussed it with my attorney. I fully understand the plea agreement and accept and agree to it without reservation. I do this voluntarily and of my own free will. No threats have been made to me, nor am I under the influence of anything that could impede my ability to fully understand this plea agreement.

I affirm that absolutely no promises, agreements, understandings, or conditions have been made or entered into in connection with my decision to plead guilty except those set forth in this plea agreement.

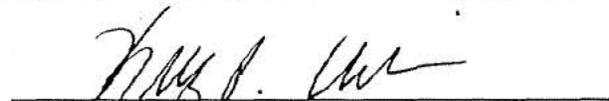
I am satisfied with the legal services provided by my attorney in connection with this plea agreement and the matters related to this case.

Dated: 7/18/13


RICHARD J. BUSWELL
Defendant

I accept and agree to this plea agreement on behalf of the United States of America.

Dated: 7/18/13


KELLY P. UEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

U.S. DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
RECEIVED LAFAYETTE

JUL 24 2013

U. S. Department of Justice
United States Attorney

TONY R. MOORE, CLERK
BY [Signature] DEPUTY

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF LOUISIANA

UNITED STATES OF AMERICA

Lafayette Division
Criminal No. 11-CR-00198-01

VERSUS

RICHARD J. BUSWELL (01)
d/b/a BOWMAN INVESTMENT GROUP, L.L.C.

JUDGE HAIK
MAGISTRATE JUDGE HANNA

AFFIDAVIT OF UNDERSTANDING OF MAXIMUM PENALTY AND CONSTITUTIONAL RIGHTS

I, RICHARD J. BUSWELL d/b/a BOWMAN INVESTMENT GROUP, L.L.C., the above-named defendant, having been first duly sworn and placed under oath by the Clerk or his Deputy of the United States District Court, state that I have been advised and personally addressed by the Court (Judge) as to the nature of the charge against me, and, having been furnished a copy of the charge, hereby state that I understand the charge and that the Court has addressed me personally as to the maximum possible penalty that may be imposed against me, as follows:

COUNT 5 - PENALTY: A term of imprisonment of not more than twenty (20) years pursuant to Title 18, United States Code, Section 1343; a fine of not more than \$250,000.00 pursuant to Title 18, United States Code, Section 3571, or both; a term of supervised release of not less than two (2) years nor more than three (3) years pursuant to Title 18, United States Code, Section 3583(b)(2) and U.S.S.G. § 5D1.2(a)(2); and a special assessment fee of \$100.00, pursuant to Title 18, United States Code, Section 3013, which under this agreement is payable and due at the time his guilty plea is entered, and defendant agrees to tender the \$100.00 special assessment by certified check or money order, payable to "Clerk, U.S. District Court."

ATTEST A TRUE COPY
TONY R. MOORE, CLERK
USDC, WESTERN DISTRICT OF LA
BY [Signature]
DATE 2/5/14

I, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., further state that I understand and the Court has addressed me personally at the arraignment proceeding as to:

1. My right to be represented by counsel (a lawyer) of my choice, or if I cannot afford counsel, my right to be represented by court-appointed counsel at no cost to me.

2. My right to have a jury trial with twelve jurors who must all agree as to my guilt in order to convict.

3. My right not to be required to testify against myself, or at all, if I do not so desire.

4. My right to confront and cross-examine witnesses against me and my right to have compulsory process to require witnesses to testify.

5. My right to plead guilty or not guilty.

I, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., realize that by pleading guilty I will stand convicted of the crime charged and thereby waive my privilege against self-incrimination, my right to jury trial, my right to confront and cross-examine witnesses, and my right of compulsory process.

I, RICHARD J. BUSWELL, d/b/a BOWMAN INVESTMENT GROUP, L.L.C., further state that my plea in this matter is free and voluntary, and that it has been made without any threats or inducements whatsoever from anyone associated with the State or United States Government, and that the only reason I am pleading guilty is that I am in fact guilty as charged. The Court has given me the opportunity to make any statement desired.

Sworn to and subscribed before me this 18 day of July, 2013, in Open Court
in Lafayette, Louisiana.



RICHARD J. BUSWELL
Defendant



IAN F. HIPWELL and
ANDRE' BELANGER
8075 Jefferson Highway
Baton Rouge, LA 70809
(225) 383-9703
Counsel for Defendant

CLERK OR DEPUTY CLERK OF COURT

U.S. DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
RECEIVED - LAFAYETTE

JUL 24 2013

TONY R. MOORE, CLERK
BY EB DEPUTY

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA**

LAFAYETTE DIVISION

UNITED STATES OF AMERICA	*	CRIMINAL NO. 11-CR-00198-01
	*	
VERSUS	*	
	*	
RICHARD J. BUSWELL d/b/a	*	JUDGE HAIK
BOWMAN INVESTMENT GROUP, L.L.C.	*	MAGISTRATE JUDGE HANNA

STIPULATED FACTUAL BASIS FOR GUILTY PLEA

NOW INTO COURT, comes the UNITED STATES OF AMERICA, through the undersigned Assistant United States Attorney Kelly P. Uebinger, and the Defendant, RICHARD J. BUSWELL d/b/a BOWMAN INVESTMENT GROUP, L.L.C., represented by his undersigned counsel, Ian F. Hipwell and Andre' Belanger, and for purposes of providing the Court with a factual basis for a plea agreement pursuant to Rule 11(b)(3) of the Federal Rules of Criminal Procedure, stipulate as follows:

The Defendant, RICHARD J. BUSWELL, became a licensed stockbroker, also known as a registered representative, in January of 2006. BOWMAN INVESTMENT GROUP, L.L.C. ("BOWMAN") was formed by RICHARD J. BUSWELL in 2006 and operated until 2009. Herbert S. Fouke a/k/a/ Steve Fouke, the co-defendant, was the president of BOWMAN. BOWMAN was located in Lafayette, Louisiana. Brookstone Securities (Brookstone) is a broker dealer located in Lakeland, Florida, that is registered with the Securities & Exchange Commission (SEC). Bowman used Brookstone as its broker dealer in order to conduct trades on the New York Stock Exchange and to conduct other transactions.

ATTEST A TRUE COPY
TONY R. MOORE, CLERK
USDC, WESTERN DISTRICT OF LA
BY Sally Ho
DATE 2/5/14

The Defendant, RICHARD J. BUSWELL, engaged in a scheme and artifice to defraud his clients by making false representations and promises to them, in order to obtain economic benefit for himself through the payment of commissions that were paid to him by Brookstone.

In furtherance of the scheme and artifice to defraud, the Defendant, RICHARD J. BUSWELL, on occasion, engaged in excessive and frequent stock transactions on his clients' accounts for his own benefit. He also exaggerated guaranteed rates of returns to his clients, in violation of Federal Security Laws, Rules and Regulations.

A Direct Private Placement occurs when a private company sells stock or notes in order to raise money. Federal Security Laws, Rules and Regulations require licensed stockbrokers to conduct a suitability analysis, before placing clients in these high risk products. One of the requirements is that a client be considered an "accredited investor," before the client can purchase the stock or notes of a private placement. In order to be considered an "accredited investor," a client must have a certain income threshold over a period of time and must have a liquid net worth above a specific amount. The Defendant, RICHARD J. BUSWELL, placed some of his clients in high risk Direct Private Placements, even though the investments were not suitable for them. The Defendant did not always explain the high risk nature of these investments to his clients and he falsified account applications concerning net worth and other client information so that some of the clients would "appear" to be "accredited investors," when in fact, they were not.

In furtherance of the scheme and artifice to defraud, the Defendant, RICHARD J. BUSWELL, used the mails and interstate wire communication facilities including telephones, wire transfers, e-mail transmissions and facsimile transmissions to facilitate the wire fraud scheme. As detailed in Count 5 of the Indictment, on June 16, 2008, the Defendant, RICHARD J. BUSWELL, caused a facsimile transmission of a customer margin agreement for Stanton P. Bujard to be sent from BOWMAN INVESTMENT GROUP in Lafayette, Louisiana, to Brookstone Securities, located in Lakeland, Florida. As part of the scheme and artifice to defraud, the Defendant had some of his clients sign customer margin agreements without explaining to them the risks of trading on margin.

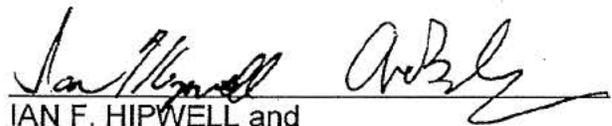
By engaging in these fraudulent practices, the Defendant, RICHARD J. BUSWELL, and the co-defendant, Herbert S. Fouke a/k/a Steve Fouke, caused Bowman clients to lose not less than \$5 million dollars. The Defendant received \$1,711,852.26 in commissions from Brookstone during 2008 and 2009, a portion of which is attributed to the fraudulent scheme.

The parties stipulate that the offense took place in the Western District of Louisiana.



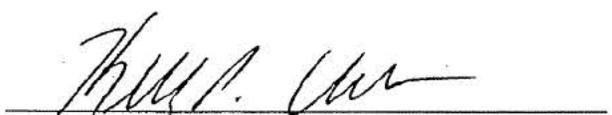
RICHARD J. BUSWELL
Defendant

7/24/2013
DATE



IAN F. HIPWELL and
ANDRE' BELANGER
8075 Jefferson Highway
Baton Rouge, LA 70809
(225) 383-9703
Counsel for Defendant

July 24, 2013
DATE

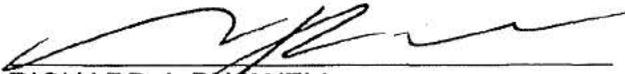


KELLY P. DEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

7/24/13
DATE

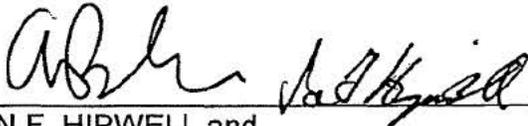
Each separate use of the interstate wire communications facilities in furtherance of a scheme to defraud constitutes a separate offense.

If the case were to proceed to trial, the government would also have the burden of proving proper venue - that is the government would have to prove by a preponderance of the evidence that the offense was begun, continued, or completed in one of the Parishes that make up the Western District of Louisiana.



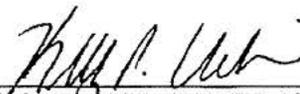
RICHARD J. BUSWELL
Defendant

7/18/13
DATE



IAN F. HIPWELL and
ANDRE' BELANGER
8075 Jefferson Highway
Baton Rouge, LA 70809
(225) 383-9703
Counsel for Defendant

7/18/13
DATE



KELLY E. UEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

7/18/13
DATE

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RICHARD J. BUSWELL
Defendant

7/18/13
DATE



IAN F. HIPWELL and
ANDRE' BELANGER
8075 Jefferson Highway
Baton Rouge, LA 70809
(225) 383-9703
Counsel for Defendant

7/18/13
DATE



KELLY E. UEBINGER (Bar No. 21028)
Assistant United States Attorney
800 Lafayette Street, LA 70501
Lafayette, LA 70501
(337) 262-6618

7/18/13
DATE



Brokerage Firm Summary

BROOKSTONE SECURITIES, INC.

CRD# 13366 SEC# 8-29116

Not Licensed

[Get Detailed Report »](#)

FINRA expelled this firm from the securities industry in October 2012.

Disclosure Events

This firm has disclosure events. See [detailed report](#) for more information.

Type	Count
Regulatory Event	9
Arbitration	2

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Firm Profile

Main Office Location	Mailing Address	Business Telephone Number
2920 DRANE FIELD ROAD LAKELAND, FL 33813	PO BOX 8087 LAKELAND, FL 33802	863-687-3679

This brokerage firm is no longer registered with FINRA.

Firm Operations:

- This firm is classified as a corporation.
- This firm was formed in Florida on 07/14/2005.
- Its fiscal year ends in December.



BrokerCheck Report

BROOKSTONE SECURITIES, INC.

CRD# 13366

Report #29274-38214, data current as of Monday, May 19, 2014.

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Registration and Withdrawal	2
Firm Profile	3 - 5
Firm History	6
Firm Operations	7 - 12
Disclosure Events	13

About BrokerCheck®

BrokerCheck offers information on all current and many former-FINRA-registered securities brokers, and all current and former FINRA-registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <http://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



BROOKSTONE SECURITIES, INC.

CRD# 13366

SEC# 8-29116

Main Office Location

2920 DRANE FIELD ROAD
LAKELAND, FL 33813

Mailing Address

PO BOX 8087
LAKELAND, FL 33802

Business Telephone Number

863-687-3679

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<http://www.adviserinfo.sec.gov>

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Florida on 07/14/2005. Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	9
Arbitration	2

Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.



**This firm terminated or
withdrew registration on:** 06/20/2012

**Does this brokerage firm owe
any money or securities to
any customer or brokerage
firm?** No

Firm Profile

This firm is classified as a corporation.

This firm was formed in Florida on 07/14/2005.

Its fiscal year ends in December.



Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

BROOKSTONE SECURITIES, INC.

Doing business as **BROOKSTONE SECURITIES, INC.**

CRD# 13366

SEC# 8-29116

Main Office Location

2920 DRANE FIELD ROAD
LAKELAND, FL 33813

Mailing Address

PO BOX 8087
LAKELAND, FL 33802

Business Telephone Number

863-687-3679

Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.



Direct Owners and Executive Officers

Legal Name & CRD# (if any):	BROOKSTONE CAPITAL MANAGEMENT, LLC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	PARENT COMPANY
Position Start Date	06/2005
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	LOCY, DAVID WILLIAM 4682865
Is this a domestic or foreign entity or an individual?	Individual
Position	DIRECT OWNER/FINOP CHIEF COMPLIANCE OFFICER
Position Start Date	07/2005
Percentage of Ownership	10% but less than 25%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.



Indirect Owners

Legal Name & CRD# (if any):	TURBEVILLE, ANTONY LEE 1721014
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	BROOKSTONE CAPITAL MANAGEMENT, LLC
Relationship to Direct Owner	FOUNDER
Relationship Established	07/2005
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.



This firm was previously: RISE, INC.

Date of Succession: 07/14/2005

Predecessor CRD#: 13366

Predecessor SEC#: 8-29116

Description

RISE, INC. WAS PURCHASED BY BROOKSTONE SECURITIES, INC. THERE WAS AT THE SAME TIME A REVERSE MERGER DONE AND THE NAME CHANGED TO BROOKSTONE SECURITIES, INC. WITH A NEW FEIN. ALL ASSETS AND LIABILITIES WERE ASSUMED BY BROOKSTONE SECURITIES, INC. WITH A INDEMNIFICATION AGREEMENT SIGNED BY THE FORMER OWNER OF RISE, INC.

Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered with FINRA.

The firm's registration with FINRA was from 04/08/1983 to 10/09/2012.



Firm Operations



Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 14 types of businesses.

Types of Business

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Underwriter or selling group participant (corporate securities other than mutual funds)
- Mutual fund retailer
- U.S. government securities broker
- Municipal securities broker
- Broker or dealer selling variable life insurance or annuities
- Solicitor of time deposits in a financial institution
- Broker or dealer selling oil and gas interests
- Put and call broker or dealer or option writer
- Investment advisory services
- Broker or dealer selling tax shelters or limited partnerships in primary distributions
- Private placements of securities
- Broker or dealer involved in a networking, kiosk or similar arrangement with a bank, savings bank or association, or credit union

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	FIRST SOUTHWEST COMPANY
CRD #:	316
Business Address:	325 NORTH ST PAUL, STE 800 DALLAS, TX 75201
Effective Date:	04/16/2005
Description:	APPLICANT ACTS AS A CORRESPONDENT BROKER/DEALER IN EFFECTING SECURITIES TRANSACTIONS FOR CUSTOMER ACCOUNTS, ON A FULLY-DISCLOSED BASIS THROUGH ITS CLEARING FIRM, FIRST SOUTHWEST COMPANY

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: FIRST SOUTHWEST COMPANY
CRD #: 316
Business Address: 325 NORTH ST PAUL, STE 800
 DALLAS, TX 75201
Effective Date: 04/16/2005
Description: SERVICES PROVIDED BY APPLICANT'S CLEARING FIRM INCLUDE:
 EXECUTION OF ORDERS, PREPARATION AND MAILING OF CONFIRMS;
 PREPARATION AND MAILING OF CUSTOMER STATEMENTS;
 MAINTENANCE OF REQUIRED BOOKS AND RECORDS INCLUDING
 OBTAINING AND MAINTAINING PHYSICAL POSSESSION AND CONTROL
 OF FULLY PAID AND EXCESS MARGIN SECURITIES OF CUSTOMERS AS
 REQUIRED BY SEC RULE 15C3-1

This firm does have accounts, funds, or securities maintained by a third party.

Name: FIRST SOUTHWEST COMPANY
CRD #: 316
Business Address: 325 NORTH ST PAUL, STE 800
 DALLAS, TX 75201
Effective Date: 04/16/2005
Description: FIRST SOUTHWEST COMPANY, AS CLEARING FIRM, REQUIRES
 ESCROW DEPOSIT ACCOUNT OF APPLICANT TO BE MAINTAINED AT
 CLEARING FIRM.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: FIRST SOUTHWEST COMPANY
CRD #: 316
Business Address: 325 NORTH ST PAUL, STE 800
 DALLAS, TX 75201
Effective Date: 04/16/2005
Description: FIRST SOUTHWEST COMPANY, AS CLEARING FIRM OF APPLICANT
 PROVIDES ALL CUSTODIAL FUNCTIONS OF HOLDING AND MAINTAINING
 ACCOUNTS, FUNDS, AND SECURITIES OF CUSTOMERS OF APPLICANT.

Control Persons/Financing

Firm Operations

Industry Arrangements (continued)

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations



Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is not, directly or indirectly:

- in control of
- controlled by
- or under common control with

the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

Disclosure Events



All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	8	1
Arbitration	N/A	2	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 8

Reporting Source: Regulator

Current Status: Final



Allegations: RESPONDENT BROOKSTONE SECURITIES, INC. FAILED TO PAY FINES AND/OR COSTS OF \$15,000 IN FINRA CASE #2009016158302.
Initiated By: FINRA
Date Initiated: 10/17/2012
Docket/Case Number: 2009016158302
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Expulsion
Other Sanction(s)/Relief Sought:
Resolution: Other
Resolution Date: 10/17/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Revocation/Expulsion/Denial
Other Sanctions Ordered:
Sanction Details: PURSUANT TO FINRA RULE 8320, RESPONDENT BROOKSTONE SECURITIES, INC. IS EXPELLED FROM FINRA MEMBERSHIP FOR FAILURE TO PAY FINES AND/OR COSTS.

Disclosure 2 of 8

Reporting Source: Regulator
Current Status: Final
Allegations: RESPONDENT BROOKSTONE SECURITIES, INC. FAILED TO PAY FINES AND/OR COSTS OF \$25,000 IN FINRA CASE #2009019837303.
Initiated By: FINRA
Date Initiated: 10/09/2012
Docket/Case Number: 2009019837303
Principal Product Type: No Product

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Expulsion

Other Sanction(s)/Relief Sought:

Resolution: Other

Resolution Date: 10/09/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Revocation/Expulsion/Denial

Other Sanctions Ordered:

Sanction Details: PURSUANT TO FINRA RULE 8320, RESPONDENT BROOKSTONE SECURITIES, INC. IS EXPELLED FROM FINRA MEMBERSHIP FOR FAILURE TO PAY FINES AND/OR COSTS.

Disclosure 3 of 8

Reporting Source: Regulator

Current Status: Final

Allegations: ARTICLE V, SECTIONS 2, 3 OF FINRA'S BY-LAWS, FINRA RULES 1122, 2010, NASD RULE 3070, INTERPRETATIVE MATERIAL 1000-1 - BROOKSTONE SECURITIES, INC. FAILED TO UPDATE FORMS U4 WITH MATERIAL INFORMATION AND CUSTOMER COMPLAINTS AND FORMS U5 WITH CUSTOMER COMPLAINTS. THE FIRM FAILED TO TIMELY DISCLOSE MATERIAL INFORMATION AND AN ARBITRATION ON FORMS U4. THE FIRM FAILED TO TIMELY DISCLOSE ARBITRATIONS ON REGISTERED REPRESENTATIVES' FORMS U5. THE FIRM RECEIVED SEPARATE COMPLAINTS AGAINST A REGISTERED REPRESENTATIVE, REPORTED THE STATISTICAL AND SUMMARY INFORMATION REGARDING THE COMPLAINTS VIA A RULE 3070 FILING, BUT FAILED TO DISCLOSE THAT THE REPRESENTATIVE WAS THE SUBJECT OF BOTH COMPLAINTS.

Initiated By: FINRA

Date Initiated: 08/08/2011

Docket/Case Number: 2009016158302



Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 08/08/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
Monetary/Fine \$15,000.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

Reporting Source: Firm
Current Status: Final
Allegations: AT VARIOUS TIMES DURING 2009, BROOKSTONE FAILED TO FILE AND/OR TIMELY FILE FIVE REQUIRED AMENDMENTS TO UNIFORM TERMINATION NOTICES FOR SECURITIES INDUSTRY REGISTRATION ("FORMS U4"). BROOKSTONE ALSO FILED TWO LATE AMENDMENTS TO UNIFORM TERMINATION NOTICES FOR SECURITIES INDUSTRY REGISTRATION ("FORMS U5").
Initiated By: FINRA
Date Initiated: 08/08/2011
Docket/Case Number: NO. 2009016158302
Principal Product Type: No Product
Other Product Type(s):



Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE \$15,000.00

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/08/2011

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: \$15,000 FINE ASSESSED AGAINST BROOKSTONE SECURITIES ONLY, WHICH IS BEING PAID PURSUANT TO FINRA APPROVED INSTALLMENT PLAN.

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS SET FORTH ABOVE, BROOKSTONE SECURITIES AGREED TO A SETTLEMENT OF THIS PROCEEDING IN ORDER TO AVOID THE COSTS AND UNCERTAINTY OF DEFENDING THE MERITS OF THE ALLEGED VIOLATIONS.

Disclosure 4 of 8**Reporting Source:** Regulator**Current Status:** Final

Allegations: FINRA RULE 2010, NASD RULES 2110, 3010 - BROOKSTONE SECURITIES, INC., ACTING THROUGH A PRINCIPAL, HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING DUE DILIGENCE REQUIREMENTS FOR THIRD-PARTY PLACEMENTS. THE FIRM, ACTING THROUGH ITS PRINCIPAL, FAILED TO CONDUCT AN ADEQUATE DUE DILIGENCE OF A THIRD-PARTY PLACEMENT OFFERING BEFORE HE APPROVED THE OFFERING OF SHARES TO CUSTOMERS. THE PRINCIPAL'S DUE DILIGENCE EFFORTS DID NOT INCLUDE ANY INVESTIGATION INTO AN EQUITY FUND, DESPITE ACKNOWLEDGING THAT HE KNEW VERY LITTLE ABOUT IT OR THE THIRD-PARTY PLACEMENT AND COULD NOT GET ANY SOLID INFORMATION ABOUT THE FUND, INCLUDING PENDING LITIGATION OR FINANCIAL STATEMENTS. THE PRINCIPAL KNEW NOTHING ABOUT THE FUND THAT WAS NOT CONTAINED IN A PRIVATE PLACEMENT MEMORANDA PREPARED BY THE ISSUER, BUT ACCEPTED THAT THE FIRM REPRESENTATIVES FORMING THE OFFERING HAD DONE DUE DILIGENCE AND RELIED ON THEIR OPINION ON THE FUND. THE PRINCIPAL ACKNOWLEDGED THAT THE REPRESENTATIVES HAD LIMITED, IF ANY, EXPERIENCE FORMING A PRIVATE PLACEMENT. FIRM REPRESENTATIVES SOLD OR PARTICIPATED IN SALES OF SHARES TO CUSTOMERS WITHOUT



NOTIFYING THE PRINCIPAL OR ANYONE ELSE AT THE FIRM, CAUSING THOSE SALES TO NOT BE RECORDED ON THE FIRM'S BOOKS AND RECORDS.

Initiated By: FINRA
Date Initiated: 05/23/2011
Docket/Case Number: 2009019837303
Principal Product Type: Other
Other Product Type(s): THIRD-PARTY PRIVATE PLACEMENT OFFERING

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/23/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: WITOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000, JOINTLY AND SEVERALLY.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA RULE 2010, NASD RULES 2110, 3010 - BROOKSTONE SECURITIES, INC., ACTING THROUGH A PRINCIPAL, HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING DUE DILIGENCE REQUIREMENTS FOR THIRD-PARTY PLACEMENTS. THE FIRM, ACTING THROUGH ITS PRINCIPAL, FAILED TO CONDUCT AN ADEQUATE DUE DILIGENCE OF A THIRD-PARTY PLACEMENT OFFERING BEFORE HE



APPROVED THE OFFERING OF SHARES TO CUSTOMERS. THE PRINCIPAL'S DUE DILIGENCE EFFORTS DID NOT INCLUDE ANY INVESTIGATION INTO AN EQUITY FUND, DESPITE ACKNOWLEDGING THAT HE KNEW VERY LITTLE ABOUT IT OR THE THIRD-PARTY PLACEMENT AND COULD NOT GET ANY SOLID INFORMATION ABOUT THE FUND, INCLUDING PENDING LITIGATION OR FINANCIAL STATEMENTS. THE PRINCIPAL KNEW NOTHING ABOUT THE FUND THAT WAS NOT CONTAINED IN A PRIVATE PLACEMENT MEMORANDA PREPARED BY THE ISSUER, BUT ACCEPTED THAT THE FIRM REPRESENTATIVES FORMING THE OFFERING HAD DONE DUE DILIGENCE AND RELIED ON THEIR OPINION ON THE FUND. THE PRINCIPAL ACKNOWLEDGED THAT THE REPRESENTATIVES HAD LIMITED, IF ANY, EXPERIENCE FORMING A PRIVATE PLACEMENT. FIRM REPRESENTATIVES SOLD OR PARTICIPATED IN SALES OF SHARES TO CUSTOMERS WITHOUT NOTIFYING THE PRINCIPAL OR ANYONE ELSE AT THE FIRM, CAUSING THOSE SALES TO NOT BE RECORDED ON THE FIRM'S BOOKS AND RECORDS.

Initiated By: FINRA

Date Initiated: 05/23/2011

Docket/Case Number: 2009019837303

Principal Product Type: Other

Other Product Type(s): THIRD PARTY PRIVATE PLACEMENT OFFERING

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/23/2011

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONCENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000 JOINTLY AND SEVERALLY.

Disclosure 5 of 8

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, FINRA RULES 2010, 2020, NASD RULES 2110, 2120, 2310, 2510, 3010(A) AND (B) - BROOKSTONE SECURITIES, INC., ACTING THROUGH REGISTERED REPRESENTATIVES, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF UNSECURED BRIDGE NOTES AND WARRANTS. REGISTERED REPRESENTATIVES, ACTING ON BEHALF OF THE FIRM, TOLD PURCHASERS OF THE BRIDGE NOTES THAT THEY WERE GUARANTEED WITHOUT ANY REASONABLE BASIS GIVEN THE DESCRIPTION OF THE PLACEMENT AGENT'S LIMITED ROLE IN THE PRIVATE PLACEMENT MEMORANDUM (PPM). REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, PROVIDED UNWARRANTED PRICE PREDICTIONS TO CUSTOMERS REGARDING THE FUTURE PRICE OF COMMON STOCK FOR WHICH WARRANTS WOULD BE EXCHANGEABLE. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED THE PAYMENT AT MATURITY OF PROMISSORY NOTES ALTHOUGH THE PLACEMENT AGENT HAD NO COMMITMENT TO PROVIDE FINANCING FOR THE PRIVATE PLACEMENT OR A LATER PUBLIC OFFERING. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE RISK THAT THE FINANCING WOULD NOT OCCUR AND RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE OTHER RISKS OUTLINED IN THE PPM. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED TO CUSTOMERS THAT THEY WOULD RECEIVE BACK THEIR PRINCIPAL INVESTMENTS PLUS RETURNS, FAILED TO INFORM INVESTORS OF ANY RISKS ASSOCIATED WITH THE INVESTMENTS AND DID NOT DISCUSS THE RISKS OUTLINED IN THE PPM THAT COULD RESULT IN INVESTORS LOSING THEIR ENTIRE INVESTMENT. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF THE PRIVATE PLACEMENT OF FIRM UNITS CONSISTING OF CLASS B COMMON STOCK AND WARRANTS TO PURCHASE CLASS A COMMON STOCK TO CUSTOMERS; THE PPM STATED THAT THE INVESTMENT WAS SPECULATIVE, INVOLVING A HIGH DEGREE OF RISK AND WAS ONLY SUITABLE FOR PERSONS WHO COULD RISK LOSING THEIR ENTIRE INVESTMENT. THE REPRESENTATIVE REPRESENTED TO CUSTOMERS THAT HE WOULD INVEST THEIR FUNDS IN ANOTHER PRIVATE PLACEMENT AND IN DIRECT CONTRADICTION, INVESTED THE FUNDS IN THE FIRM PRIVATE PLACEMENT. A MEMBER FIRM, ACTING THROUGH THE REPRESENTATIVE, RECOMMENDED AND EFFECTED THE SALE OF THESE SECURITIES WITHOUT HAVING A REASONABLE BASIS TO BELIEVE THAT THE TRANSACTIONS WERE SUITABLE GIVEN THE FINANCIAL CIRCUMSTANCES AND CONDITION OF THE CUSTOMERS. THE FIRM, ACTING THROUGH A REPRESENTATIVE,



EXERCISED DISCRETION WITHOUT PRIOR WRITTEN AUTHORIZATION IN THE ACCOUNTS OF CUSTOMERS OR ACCEPTANCE OF THE ACCOUNTS AS DISCRETIONARY BY THE FIRM. THE FIRM, ACTING THROUGH ITS CHIEF EXECUTIVE OFFICER (CEO) AND ITS PRESIDENT, FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE AND FAILED TO FOLLOW UP ON RED FLAGS THAT SHOULD HAVE ALERTED THEM TO THE NEED TO INVESTIGATE THE REPRESENTATIVE'S SALES PRACTICES AND DETERMINE WHETHER TRADING RESTRICTIONS, HEIGHTENED SUPERVISION OR DISCIPLINE WERE WARRANTED. THE FIRM, ACTING THROUGH ITS CEO, PRESIDENT AND CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF NASD RULE 2310 REGARDING SUITABILITY. THE FIRM'S PROCEDURES WERE ALSO INADEQUATE TO PREVENT AND DETECT UNSUITABLE RECOMMENDATIONS RESULTING FROM EXCESSIVE TRADING, EXCESSIVE USE OF MARGIN AND OVER-CONCENTRATION. THE FIRM'S NEW ACCOUNT APPLICATION PROCESS WAS FLAWED SO THAT A REVIEWING PRINCIPAL WAS UNABLE TO OBTAIN AN ACCURATE PICTURE OF CUSTOMERS' FINANCIAL STATUS, INVESTMENT OBJECTIVES AND INVESTMENT HISTORY WHEN REVIEWING A TRANSACTION FOR SUITABILITY. THE FIRM'S PROCEDURES FAILED TO IDENTIFY SPECIFIC REPORTS THAT ITS COMPLIANCE DEPT. WAS TO REVIEW AND PROVIDED NO GUIDANCE ON THE ACTIONS OR ANALYSIS THAT SHOULD OCCUR IN RESPONSE TO THE REPORTS.

Initiated By: FINRA

Date Initiated: 06/28/2010

Docket/Case Number: 2009017275301

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): PROMISSORY NOTES, UNSECURED BRIDGE NOTES, WARRANTS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/27/2011



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Yes

Sanctions Ordered:

Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULE 10B-5, NASD RULES 2110, 2120, 3010(A), 3010(B) AND FINRA RULES 2010 AND 2020; THEREFORE, THE FIRM IS CENSURED AND FINED \$200,000.

Reporting Source:

Firm

Current Status:

Final

Allegations:

SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, FINRA RULES 2010, 2020, NASD RULES 2110, 2120, 2310, 2510, 3010(A) AND (B) - A MEMBER FIRM, ACTING THROUGH REGISTERED REPRESENTATIVES, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF UNSECURED BRIDGE NOTES AND WARRANTS. REGISTERED REPRESENTATIVES, ACTING ON BEHALF OF THE FIRM, TOLD PURCHASERS OF THE BRIDGE NOTES THAT THEY WERE GUARANTEED WITHOUT ANY REASONABLE BASIS GIVEN THE DESCRIPTION OF THE PLACEMENT AGENT'S LIMITED ROLE IN THE PRIVATE PLACEMENT MEMORANDUM (PPM). REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, PROVIDED UNWARRANTED PRICE PREDICTIONS TO CUSTOMERS REGARDING THE FUTURE PRICE OF COMMON STOCK FOR WHICH WARRANTS WOULD BE EXCHANGEABLE. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED THE PAYMENT AT MATURITY OF PROMISSORY NOTES ALTHOUGH THE PLACEMENT AGENT HAD NO COMMITMENT TO PROVIDE FINANCING FOR THE PRIVATE PLACEMENT OR A LATER PUBLIC OFFERING. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE RISK THAT THE FINANCING WOULD NOT OCCUR AND RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE OTHER RISKS OUTLINED IN THE PPM. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED TO CUSTOMERS THAT THEY WOULD RECEIVE BACK THEIR PRINCIPAL INVESTMENTS PLUS RETURNS, FAILED TO INFORM INVESTORS



OF ANY RISKS ASSOCIATED WITH THE INVESTMENTS AND DID NOT DISCUSS THE RISKS OUTLINED IN THE PPM THAT COULD RESULT IN INVESTORS LOSING THEIR ENTIRE INVESTMENT. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF THE PRIVATE PLACEMENT OF FIRM UNITS CONSISTING OF CLASS B COMMON STOCK AND WARRANTS TO PURCHASE CLASS A COMMON STOCK TO CUSTOMERS; THE PPM STATED THAT THE INVESTMENT WAS SPECULATIVE, INVOLVING A HIGH DEGREE OF RISK AND WAS ONLY SUITABLE FOR PERSONS WHO COULD RISK LOSING THEIR ENTIRE INVESTMENT. THE REPRESENTATIVE REPRESENTED TO CUSTOMERS THAT HE WOULD INVEST THEIR FUNDS IN ANOTHER PRIVATE PLACEMENT AND IN DIRECT CONTRADICTION, INVESTED THE FUNDS IN THE FIRM PRIVATE PLACEMENT. A MEMBER FIRM, ACTING THROUGH THE REPRESENTATIVE, RECOMMENDED AND EFFECTED THE SALE OF THESE SECURITIES WITHOUT HAVING A REASONABLE BASIS TO BELIEVE THAT THE TRANSACTIONS WERE SUITABLE GIVEN THE FINANCIAL CIRCUMSTANCES AND CONDITION OF THE CUSTOMERS. THE FIRM, ACTING THROUGH A REPRESENTATIVE, EXERCISED DISCRETION WITHOUT PRIOR WRITTEN AUTHORIZATION IN THE ACCOUNTS OF CUSTOMERS OR ACCEPTANCE OF THE ACCOUNTS AS DISCRETIONARY BY THE FIRM. THE FIRM, ACTING THROUGH ITS CHIEF EXECUTIVE OFFICER (CEO) AND ITS PRESIDENT, FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE AND FAILED TO FOLLOW UP ON RED FLAGS THAT SHOULD HAVE ALERTED THEM TO THE NEED TO INVESTIGATE THE REPRESENTATIVE'S SALES PRACTICES AND DETERMINE WHETHER TRADING RESTRICTIONS, HEIGHTENED SUPERVISION OR DISCIPLINE WERE WARRANTED. THE FIRM, ACTING THROUGH ITS CEO, PRESIDENT AND CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF NASD RULE 2310 REGARDING SUITABILITY. THE FIRM'S PROCEDURES WERE ALSO INADEQUATE TO PREVENT AND DETECT UNSUITABLE RECOMMENDATIONS RESULTING FROM EXCESSIVE TRADING, EXCESSIVE USE OF MARGIN AND OVER-CONCENTRATION. THE FIRM'S NEW ACCOUNT APPLICATION PROCESS WAS FLAWED SO THAT A REVIEWING PRINCIPAL WAS UNABLE TO OBTAIN AN ACCURATE PICTURE OF CUSTOMERS' FINANCIAL STATUS, INVESTMENT OBJECTIVES AND INVESTMENT HISTORY WHEN REVIEWING A TRANSACTION FOR SUITABILITY. THE FIRM'S PROCEDURES FAILED TO IDENTIFY SPECIFIC REPORTS THAT ITS COMPLIANCE DEPT. WAS TO REVIEW AND PROVIDED NO GUIDANCE ON THE ACTIONS OR ANALYSIS THAT SHOULD OCCUR IN RESPONSE TO THE REPORTS.

Initiated By:

FINRA



Date Initiated: 06/28/2010
Docket/Case Number: 2009017275301
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s): PROMISSORY NOTES, UNSECURED BRIDGE NOTES, WARRANTS
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 09/27/2011
Sanctions Ordered: Censure
 Monetary/Fine \$200,000.00
 Suspension
Other Sanctions Ordered:
Sanction Details: ANTONY TURBEVILLE HAS BEEN FINED \$10,000 AND SUSPENDED FOR 3 MONTHS IN A PRINCIPAL CAPACITY ONLY. DAVID LOCY HAS BEEN FINED \$10,000 AND SUSPENDED FOR 3 MONTHS IN A PRINCIPAL CAPACITY ONLY.
Firm Statement BROOKSTONE HAS SETTLED FINRA DISCIPLINARY PROCEEDING 200901725301 WITH A PAYMENT OF A \$200,000 FINE. THE FIRM AGREED TO THESE FAVORABLE SETTLEMENT TERMS TO AVOID FURTHER EXPENSES AND COSTS, INCLUDING THE ADDITIONAL LEGAL FEES AND EXPENSES THAT WOULD INEVITABLY RESULT FROM HAVING TO DEFEND THE ACTION ON THE MERITS, AND THE INCONVENIENCE, DISTRACTION AND VALUABLE TIME THAT WOULD BE LOST LITIGATING THE DISPUTE. MOREOVER, THE FIRM AGREED TO SETTLE BECAUSE THE TERMS OF THE SETTLEMENT EXPLICITLY PROVIDED THE SETTLEMENT WAS NOT AN ADMISSION OF ANY OF THE ALLEGATIONS SET FORTH IN THE COMPLAINT OR THE "ENTRY OF FINDINGS". THE SETTLEMENT SPECIFICALLY STATES THAT "RESPONDENTS HAVE CONSENTED, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OF THE COMPLAINT? TO THE ENTRY OF FINDINGS AND VIOLATIONS CONSISTENT WITH THE ALLEGATIONS OF THE COMPLAINT?." THE CIRCUMSTANCES LEADING TO THE DISCIPLINARY ACTION WERE RELATED TO THE ACTIVITIES OF A ROGUE BROKER, RICHARD BUSWELL. MR. BUSWELL WAS BRIEFLY REGISTERED WITH BROOKSTONE FROM 04/16/2008 TO 04/03/2009.

 Disclosure 6 of 8

Reporting Source: Regulator



Current Status: Final

Allegations: SECURITIES EXCHANGE ACT RULES 17A-3(A), 17A-3(A)(18), 17A-4(B), 17A-4(B)(1), FINRA BY-LAWS ARTICLE V, SECTION 2, NASD RULES 2110, 3010(A)(7), 3070, 3110(D), 6230: THE FIRM FAILED TO ENSURE THAT EACH OF ITS REGISTERED REPRESENTATIVES AND REGISTERED PRINCIPALS PARTICIPATED IN THE FIRM'S ANNUAL COMPLIANCE MEETING. THE FIRM FAILED TO TIMELY UPDATE A REGISTERED REPRESENTATIVE'S FORM U4 TO DISCLOSE REQUIRED INFORMATION AND FAILED TO TIMELY DISCLOSE TWO CUSTOMERS' COMPLAINT PURSUANT TO NASD RULE 3070. THE FIRM FAILED TO REPORT FIVE QUARTERLY STATISTICAL CUSTOMER COMPLAINTS; FAILED, IN INSTANCES, TO CREATE AND MAINTAIN A RECORD OF CUSTOMERS' COMPLAINT AND RELATED RECORDS THAT INCLUDED THE COMPLAINANT'S INFORMATION; AND, ALTERNATIVELY, FAILED TO MAINTAIN A SEPARATE FILE THAT CONTAINED COMPLAINANT'S INFORMATION. THE FIRM, IN INSTANCES, FAILED TO REPORT TRANSACTIONS TO TRACE AND FAILED TO EVIDENCE THE CREATION AND MAINTENANCE OF ORDER TICKETS FOR SELL TRANSACTIONS IN CORPORATE BOND TRANSACTIONS.

Initiated By: FINRA

Date Initiated: 04/30/2010

Docket/Case Number: 2008011675701

Principal Product Type: Other

Other Product Type(s): CORPORATE BOND TRANSACTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/30/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered:



Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$17,500. FINE PAID IN FULL ON MAY 8, 2012.

Reporting Source: Firm

Current Status: Final

Allegations: SECURITIES EXCHANGE ACT RULES 17A-3(A), 17A-3(A)(18), 17A-4(B), 17A-4(B)(1), FINRA BY-LAWS ARTICLE V, SECTION 2, NASD RULES 2110, 3010(A)(7), 3070, 3110(D), 6230: THE FIRM FAILED TO ENSURE THAT EACH OF ITS REGISTERED REPRESENTATIVES AND REGISTERED PRINCIPALS PARTICIPATED IN THE FIRM'S ANNUAL COMPLIANCE MEETING. THE FIRM FAILED TO TIMELY UPDATE A REGISTERED REPRESENTATIVE'S FORM U4 TO DISCLOSE REQUIRED INFORMATION AND FAILED TO TIMELY DISCLOSE TWO CUSTOMERS' COMPLAINT PURSUANT TO NASD RULE 3070. THE FIRM FAILED TO REPORT FIVE QUARTERLY STATISTICAL CUSTOMER COMPLAINTS; FAILED, IN INSTANCES, TO CREATE AND MAINTAIN A RECORD OF CUSTOMERS' COMPLAINT AND RELATED RECORDS THAT INCLUDED THE COMPLAINANT'S INFORMATION; AND, ALTERNATIVELY, FAILED TO MAINTAIN A SEPARATE FILE THAT CONTAINED COMPLAINANT'S INFORMATION. THE FIRM, IN INSTANCES, FAILED TO REPORT TRANSACTIONS TO TRACE AND FAILED TO EVIDENCE THE CREATION AND MAINTENANCE OF ORDER TICKETS FOR SELL TRANSACTIONS IN CORPORATE BOND TRANSACTIONS.

Initiated By: FINRA

Date Initiated: 04/30/2010

Docket/Case Number: 2008011675701

Principal Product Type: Other

Other Product Type(s): CORPORATE BOND TRANSACTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/30/2010

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

**Other Sanctions Ordered:**

Sanction Details: BROOKSTONE SECURITIES AGREED TO THE PAYMENT OF A \$17,500 FINE.

Disclosure 7 of 8

Reporting Source: Regulator

Current Status: Final

Allegations: BROOKSTONE SECURITIES OPERATED AN UNREGISTERED BRANCH OFFICE IN ARKANSAS.

Initiated By: ARKANSAS SECURITIES DEPARTMENT

Date Initiated: 01/11/2010

Docket/Case Number: S-10-040-10-CO01

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: CONSENT ORDER

Resolution: Consent

Resolution Date: 03/15/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$100.00

Other Sanctions Ordered: TO PROPERLY REGISTER ALL BRANCH OFFICES IN ARKANSAS.

Sanction Details: BROOKSTONE SECURITIES, INC. WAS FINED \$100.00. WHICH WAS PAID TO THE DEPARTMENT ON 03/11/2010. BROOKSTONE SECURITIES HAS REGISTERED THE BRANCH OFFICE NOTED IN CONSENT ORDER.

Regulator Statement THIS VIOLATION WAS FOUND DURING A ROUTINE EXAMINATION.

Reporting Source: Firm



Current Status: Final
Allegations: BROOKSTONE SECURITIES OPERATED AN UNREGISTERED BRANCH OFFICE IN ARKANSAS
Initiated By: ARKANSAS SECURITIES DEPARTMENT
Date Initiated: 01/11/2010
Docket/Case Number: S-10-040-10-CO01
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: CONSENT ORDER
Resolution: Consent
Resolution Date: 03/15/2010
Sanctions Ordered: Monetary/Fine \$100.00
Other Sanctions Ordered: TO PROPERLY REGISTER ALL BRANCH OFFICES IN ARKANSAS.
Sanction Details: BROOKSTONE SECURITIES, INC. WAS FINED \$100.00 WHICH WAS PAID TO THE DEPARTMENT ON 03/11/2010. BROOKSTONE SECURITIES HAS REGISTERED THE BRANCH OFFICE NOTED IN CONSENT ORDER.
Firm Statement THIS VIOLATION WAS FOUND DURING A ROUTINE EXAMINATION.

Disclosure 8 of 8

Reporting Source: Regulator
Current Status: Final
Allegations: RISE, INC. FAILED TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR FEES OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.
Initiated By: NASD
Date Initiated: 12/13/2004
Docket/Case Number: 03-08707-CH
Principal Product Type: No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Other**Resolution Date:** 01/14/2005**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Suspension**Other Sanctions Ordered:****Sanction Details:** REPONDENT FIRM'S NASD MEMBERSHIP SUSPENDED JANUARY 14, 2005 FOR FAILING TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR PAY FEES IN ARBITRATION CASE #03-08707-CH OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.**Regulator Statement** SUSPENSION LIFTED FEBRUARY 15, 2005.
.....**Reporting Source:** Firm**Current Status:** Final**Allegations:** RISE, INC. FAILED TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR FEES OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.**Initiated By:** NASD**Date Initiated:** 12/13/2004**Docket/Case Number:** 03-08707-CH**Principal Product Type:** No Product**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Suspension



Other Sanction(s)/Relief Sought:

Resolution: Other
Resolution Date: 02/22/2005
Sanctions Ordered: Suspension
Other Sanctions Ordered:

Sanction Details: RESPONDENT FIRM'S NASD MEMBERSHIP SUSPENDED JANUARY 14, 2005 FOR FAILING TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR PAY FEES IN ARBITRATION CASE #-3-08707-CH OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.

Firm Statement ALL FEES HAVE BEEN PAID AND THE SUSPENSION WAS LIFTED ON FEB 15,2005. THIS WAS AN INADVERTANT SUSPENSION, OCCURRING WITHOUT AWARENESS OF FIRM, AND IMMEDIATELY RESOLVED UPON DISCOVERY. FIRM WAS SUSPENDED DUE TO NON-PAYMENT OF NASD ARBITRATION FEES IN CASE #03-08707-CH. THE FIRM UNDERDSTOOD THE FEES WERE WAIVED AS PART OF THE SETTLEMENT AGREEMENT. FEES WERE ASSESSED AFTER THE ARBITRATION WAS SETTLED AND SENT TO THE FIRM'S ATTORNEY. CUSTOMER FEES WERE IN FACT WAIVED, BUT FEES WERE STILL ASSESSED TO FIRM AFTER THE FACT.



Regulatory - On Appeal

This type of disclosure event involves (1) a formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations that is currently on appeal; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor that is currently on appeal.

Disclosure 1 of 1

Reporting Source:

Regulator

Current Status:

On Appeal

Appealed To and Date Appeal Filed:

APPEALED TO THE NAC ON JUNE 12, 2012

Allegations:

SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 2210(D)(1)(A), 2210(D)(1)(B), 2310(A), 2510(B), 3010(B) - BROOKSTONE SECURITIES, INC., IN CONNECTION WITH THE PURCHASE OR SALE OF COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS), DIRECTLY OR INDIRECTLY, BY THE USE OF MEANS OR INSTRUMENTALITIES OF INTERSTATE COMMERCE (INCLUDING BY TELEPHONE), OR OF THE MAILED, KNOWINGLY OR RECKLESSLY EMPLOYED DEVICES, SCHEMES OR ARTIFICES TO DEFRAUD; MADE UNTRUE STATEMENTS OF A MATERIAL FACT OR OMITTED TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, CONCERNING CMO INVESTMENTS; OR ENGAGED IN ACTS, PRACTICES OR COURSES OF BUSINESS WHICH OPERATED, OR WOULD OPERATE, AS A FRAUD OR DECEIT UPON ITS CUSTOMERS. THE FIRM EFFECTED TRANSACTIONS IN, OR INDUCED THE PURCHASE OR SALE OF, SECURITIES BY MEANS OF MANIPULATIVE, DECEPTIVE OR OTHER FRAUDULENT DEVICE OR CONTRIVANCE. THE FIRM MADE MATERIAL MISREPRESENTATIONS AND OMITTED TO DISCLOSE MATERIAL INFORMATION AT LEAST NEGLIGENTLY, AND IN SO DOING, VIOLATED ITS OBLIGATION TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE FIRM, ACTING THROUGH REGISTERED REPRESENTATIVES, RECOMMENDED HIGH-RISK CMO INVESTMENTS TO ELDERLY AND/OR RETIRED CUSTOMERS WITHOUT A REASONABLE BASIS FOR BELIEVING THAT THE INVESTMENTS WERE SUITABLE BASED ON THE CUSTOMERS' DISCLOSED AGE, INVESTMENT EXPERIENCE, INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND/OR RISK TOLERANCE. THE FIRM MADE MISREPRESENTATIONS, OMITTED MATERIAL FACTS AND USED MISLEADING STATEMENTS IN LETTERS SENT TO CERTAIN CUSTOMERS WHO INVESTED IN THE CMOS. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO REVIEW ALL CUSTOMER



DISCRETIONARY ACCOUNTS AT FREQUENT INTERVIEWS TO DETECT AND PREVENT TRANSACTIONS THAT WERE EXCESSIVE IN SIZE OR FREQUENCY IN VIEW OF THE FINANCIAL RESOURCES AND CHARACTER OF THE ACCOUNTS AS REQUIRED BY THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO ADEQUATELY SUPERVISE CUSTOMER CMO ACCOUNTS AND TRANSACTIONS. THE FIRM, ACTING THROUGH INDIVIDUALS, FAILED TO ENFORCE ITS PROCEDURES REGARDING SAFEGUARDING CUSTOMER INFORMATION. THE FIRM FAILED TO PROVIDE CUSTOMERS WITH THE OPPORTUNITY TO OPT OUT OF AN INFORMATION-SHARING ARRANGEMENT WITH A REGISTERED REPRESENTATIVE AT ANOTHER MEMBER FIRM. THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 3010(B).

Initiated By: FINRA

Date Initiated: 12/30/2009

Docket/Case Number: 2007011413501

Principal Product Type: Other

Other Product Type(s): COLLATERALIZED MORTGAGE OBLIGATIONS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 05/31/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered:

Other Sanctions Ordered:

Sanction Details: EXTENDED HEARING PANEL DECISION RENDERED MAY 31, 2012 WHEREIN THE FIRM IS CENSURED, FINED A TOTAL OF \$1,000,000, ORDERED TO PAY RESTITUTION TOTALING \$1,620,100, JOINTLY AND SEVERALLY, TO CUSTOMERS, AND ORDERED TO PAY COSTS OF \$27,047.55, JOINTLY AND SEVERALLY. APPEALED TO THE NAC ON JUNE 12, 2012.



Reporting Source: Firm

Current Status: On Appeal

Appealed To and Date Appeal Filed: REGULATORY ACTION HAS BEEN APPEALED TO FINRA NATIONAL ADJUDACORY COUNCIL

Allegations: SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 2210(D)(1)(A), 2210(D)(1)(B), 2310(A), 2510(B), 3010(B) - BROOKSTONE SECURITIES, INC., IN CONNECTION WITH THE PURCHASE OR SALE OF COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS), DIRECTLY OR INDIRECTLY, BY THE USE OF MEANS OR INSTRUMENTALITIES OF INTERSTATE COMMERCE (INCLUDING BY TELEPHONE), OR OF THE MAILS, KNOWINGLY OR RECKLESSLY EMPLOYED DEVICES, SCHEMES OR ARTIFICES TO DEFRAUD; MADE UNTRUE STATEMENTS OF A MATERIAL FACT OR OMITTED TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, CONCERNING CMO INVESTMENTS; OR ENGAGED IN ACTS, PRACTICES OR COURSES OF BUSINESS WHICH OPERATED, OR WOULD OPERATE, AS A FRAUD OR DECEIT UPON ITS CUSTOMERS. THE FIRM EFFECTED TRANSACTIONS IN, OR INDUCED THE PURCHASE OR SALE OF, SECURITIES BY MEANS OF MANIPULATIVE, DECEPTIVE OR OTHER FRAUDULENT DEVICE OR CONTRIVANCE. THE FIRM MADE MATERIAL MISREPRESENTATIONS AND OMITTED TO DISCLOSE MATERIAL INFORMATION AT LEAST NEGLIGENTLY, AND IN SO DOING, VIOLATED ITS OBLIGATION TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE FIRM, ACTING THROUGH REGISTERED REPRESENTATIVES, RECOMMENDED HIGH-RISK CMO INVESTMENTS TO ELDERLY AND/OR RETIRED CUSTOMERS WITHOUT A REASONABLE BASIS FOR BELIEVING THAT THE INVESTMENTS WERE SUITABLE BASED ON THE CUSTOMERS' DISCLOSED AGE, INVESTMENT EXPERIENCE, INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND/OR RISK TOLERANCE. THE FIRM MADE MISREPRESENTATIONS, OMITTED MATERIAL FACTS AND USED MISLEADING STATEMENTS IN LETTERS SENT TO CERTAIN CUSTOMERS WHO INVESTED IN THE CMOS. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO REVIEW ALL CUSTOMER DISCRETIONARY ACCOUNTS AT FREQUENT INTERVIEWS TO DETECT AND PREVENT TRANSACTIONS THAT WERE EXCESSIVE IN SIZE OR FREQUENCY IN VIEW OF THE FINANCIAL RESOURCES AND CHARACTER OF THE ACCOUNTS AS REQUIRED BY THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO ADEQUATELY SUPERVISE CUSTOMER CMO ACCOUNTS AND TRANSACTIONS. THE FIRM, ACTING THROUGH



INDIVIDUALS, FAILED TO ENFORCE ITS PROCEDURES REGARDING SAFEGUARDING CUSTOMER INFORMATION. THE FIRM FAILED TO PROVIDE CUSTOMERS WITH THE OPPORTUNITY TO OPT OUT OF AN INFORMATION-SHARING ARRANGEMENT WITH A REGISTERED REPRESENTATIVE AT ANOTHER MEMBER FIRM. THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 3010(B).

Initiated By: FINRA

Date Initiated: 12/30/2009

Docket/Case Number: 2007011413501

Principal Product Type: Debt - Government

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 05/31/2012

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00

Other Sanctions Ordered:

Sanction Details: BROOKSTONE SECURITIES WAS CENSURED AND FINED \$1,000,000 AND JOINTLY AND SEVERALLY ORDERED TO PAY \$1,620,000 RESTITUTION

Firm Statement ON APPEAL



Arbitration Award - Award/Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and FINRA-registered firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 2

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

Arbitration Forum: NASD

Case Initiated: 10/12/2000

Case Number: 00-04455

Disputed Product Type: COMMON STOCK; OPTIONS; OTHER TYPES OF SECURITIES

Sum of All Relief Requested: \$300,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 07/01/2002

Sum of All Relief Awarded: \$28,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 2

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT; FRAUDULENT ACTIVITY-CHURNING; FRAUDULENT ACTIVITY-MISREPRESENTATION; FRAUDULENT ACTIVITY-UNSUITABILITY

Arbitration Forum: FINRA

Case Initiated: 08/27/2008

Case Number: 08-02937



Disputed Product Type: FANNIE MAE; FREDDIE MACS; GINNIE MAES
Sum of All Relief Requested: Unspecified Damages
Disposition: AWARD AGAINST PARTY
Disposition Date: 10/05/2009
Sum of All Relief Awarded: \$50,250.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

End of Report



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REGISTRATION/REPORTING STATUS

OMB: 3235-0049

Primary Business Name: BROOKSTONE INVESTMENT ADVISORY SERVICES	IARD/CRD Number: 13366
-----------------------------------------------------------------------	-------------------------------

Registration Status		
SEC/Jurisdiction	Registration Status	Effective Date
SEC	Terminated	06/20/2012
Texas	Terminated	11/01/2006

Notice Filings

Investment adviser firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called "*notice filings*". Below are the states with which the firm you selected makes its notice filings. Also listed is the date the firm first became notice filed or registered in each state.

Not Currently Notice Filed

Exempt Reporting Advisers

Exempt Reporting Advisers are investment adviser firms that are not required to register as investment advisers because they meet registration exemptions under sections 203(l) and 203(m) of the Advisers Act of 1940. These advisers are required to submit reports to the SEC or jurisdictions. These reports are filed using Form ADV, but do not include all items contained in Form ADV that a registered adviser must complete. Below are the regulators with which a report is filed.

Not Currently an Exempt Reporting Adviser



FORM ADV

OMB: 3235-0049

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: BROOKSTONE INVESTMENT ADVISORY SERVICES	IARD/CRD Number: 13366
Rev. 11/2011	

WARNING: Complete this form truthfully. False statements or omissions may result in denial of your application, revocation of your registration, or criminal prosecution. You must keep this form updated by filing periodic amendments. See Form ADV General Instruction 4.

Item 1 Identifying Information

Responses to this Item tell us who you are, where you are doing business, and how we can contact you.

- A. Your full legal name (if you are a sole proprietor, your last, first, and middle names):
BROOKSTONE SECURITIES, INC.
- B. Name under which you primarily conduct your advisory business, if different from Item 1.A.:
BROOKSTONE INVESTMENT ADVISORY SERVICES
- List on Section 1.B. of Schedule D any additional names under which you conduct your advisory business.
- C. If this filing is reporting a change in your legal name (Item 1.A.) or primary business name (Item 1.B.), enter the new name and specify whether the name change is of
 your legal name or your primary business name:
- D. (1) If you are registered with the SEC as an investment adviser, your SEC file number: **801-67061**
(2) If you report to the SEC as an *exempt reporting adviser*, your SEC file number:
- E. If you have a number ("CRD Number") assigned by the FINRA's CRD system or by the IARD system, your CRD number: **13366**
- If your firm does not have a CRD number, skip this Item 1.E. Do not provide the CRD number of one of your officers, employees, or affiliates.
- F. *Principal Office and Place of Business*
- (1) Address (do not use a P.O. Box):
- | | |
|------------------------------------|----------------------------------|
| Number and Street 1:
[REDACTED] | Number and Street 2: |
| City:
[REDACTED] | State: Florida |
| | Country: UNITED STATES |
| | ZIP+4/Postal Code:
[REDACTED] |
- If this address is a private residence, check this box:
- List on Section 1.F. of Schedule D any office, other than your *principal office and place of business*, at which you conduct investment advisory business. If you are applying for registration, or are registered, with one or more state securities authorities, you must list all

of your offices in the state or states to which you are applying for registration or with whom you are registered. If you are applying for SEC registration, if you are registered only with the SEC, or if you are reporting to the SEC as an *exempt reporting adviser*, list the largest five offices in terms of numbers of *employees*.

(2) Days of week that you normally conduct business at your *principal office and place of business*:

Monday - Friday Other:

Normal business hours at this location:

8:00 AM-5:00 PM

(3) Telephone number at this location:

[Redacted]

(4) Facsimile number at this location:

[Redacted]

G. Mailing address, if different from your *principal office and place of business* address:

Number and Street 1:

Number and Street 2:

City: State:

Country: ZIP+4/Postal Code:

If this address is a private residence, check this box:

H. If you are a sole proprietor, state your full residence address, if different from your *principal office and place of business* address in Item 1.F.:

Number and Street 1:

Number and Street 2:

City: State:

Country: ZIP+4/Postal Code:

I. Do you have one or more websites?

Yes No

If "yes," list all website addresses on Section 1.I. of Schedule D. If a website address serves as a portal through which to access other information you have published on the web, you may list the portal without listing addresses for all of the other information. Some advisers may need to list more than one portal address. Do not provide individual electronic mail (e-mail) addresses in response to this Item.

J. Provide the name and contact information of your Chief Compliance Officer: If you are an *exempt reporting adviser*, you must provide the contact information for your Chief Compliance Officer, if you have one. If not, you must complete Item 1.K. below.

Name:

Other titles, if any:

Telephone number:

Facsimile number:

Number and Street 1:

Number and Street 2:

City: State:

Country: ZIP+4/Postal Code:

Electronic mail (e-mail) address, if Chief Compliance Officer has one:

K. Additional Regulatory Contact Person: If a person other than the Chief Compliance Officer is authorized to receive information and respond to questions about this Form ADV, you may provide that information here.

Name:

Titles:

Telephone number: _____ Facsimile number: _____
 Number and Street 1: _____ Number and Street 2: _____
 City: _____ State: _____ Country: _____ ZIP+4/Postal Code: _____

Electronic mail (e-mail) address, if contact person has one: _____

- L. Do you maintain some or all of the books and records you are required to keep under Section 204 of the Advisers Act, or similar state law, somewhere other than your *principal office and place of business*? Yes No

If "yes," complete Section 1.L. of Schedule D.

- M. Are you registered with a *foreign financial regulatory authority*? Yes No

Answer "no" if you are not registered with a *foreign financial regulatory authority*, even if you have an affiliate that is registered with a *foreign financial regulatory authority*. If "yes," complete Section 1.M. of Schedule D.

- N. Are you a public reporting company under Sections 12 or 15(d) of the Securities Exchange Act of 1934? Yes No

If "yes," provide your CIK number (Central Index Key number that the SEC assigns to each public reporting company): _____

- O. Did you have \$1 billion or more in assets on the last day of your most recent fiscal year? Yes No

- P. Provide your *Legal Entity Identifier* if you have one: _____

A *legal entity identifier* is a unique number that companies use to identify each other in the financial marketplace. In the first half of 2011, the *legal entity identifier* standard was still in development. You may not have a *legal entity identifier*.

-  This investment adviser is no longer registered/reporting and is not required to complete Item 2 of Form ADV. The information shown in Item 2 is for historical purposes and you should not presume it is current.

Item 2 SEC Registration/Reporting

Responses to this Item help us (and you) determine whether you are eligible to register with the SEC. Complete this Item 2.A. only if you are applying for SEC registration or submitting an *annual updating amendment* to your SEC registration.

- A. To register (or remain registered) with the SEC, you must check **at least one** of the Items 2.A.(1) through 2.A.(12), below. If you are submitting an *annual updating amendment* to your SEC registration and you are no longer eligible to register with the SEC, check Item 2.A.(13). Part 1A Instruction 2 provides information to help you determine whether you may affirmatively respond to each of these items.

You (the adviser):

- (1) are a **large advisory firm** that either:

- (a) has regulatory assets under management of \$100 million (in U.S. dollars) or more, or
- (b) has regulatory assets under management of \$90 million (in U.S. dollars) or more at the time of filing its most recent *annual updating amendment* and is registered with the SEC;
- (2) are a **mid-sized advisory firm** that has regulatory assets under management of \$25 million (in U.S. dollars) or more but less than \$100 million (in U.S. dollars) and you are either:
- (a) not required to be registered as an adviser with the *state securities authority* of the state where you maintain your *principal office and place of business*, or
- (b) not subject to examination by the *state securities authority* of the state where you maintain your *principal office and place of business*;
- Click [HERE](#) for a list of states in which an investment adviser, if registered, would not be subject to examination by the *state securities authority*.
- (3) have your *principal office and place of business* in **Wyoming** (which does not regulate advisers);
- (4) have your *principal office and place of business* **outside the United States**;
- (5) are an **investment adviser (or sub-adviser) to an investment company** registered under the Investment Company Act of 1940;
- (6) are an **investment adviser to a company which has elected to be a business development company** pursuant to section 54 of the Investment Company Act of 1940 and has not withdrawn the election, and you have at least \$25 million of regulatory assets under management;
- (7) are a **pension consultant** with respect to assets of plans having an aggregate value of at least \$200,000,000 that qualifies for the exemption in rule 203A-2(a);
- (8) are a **related adviser** under rule 203A-2(b) that *controls, is controlled by, or is under common control with*, an investment adviser that is registered with the SEC, and your *principal office and place of business* is the same as the registered adviser;
- If you check this box, complete Section 2.A.(8) of Schedule D.
- (9) are a **newly formed adviser** relying on rule 203A-2(c) because you expect to be eligible for SEC registration within 120 days;
- If you check this box, complete Section 2.A.(9) of Schedule D.
- (10) are a **multi-state adviser** that is required to register in 15 or more states and is relying on rule 203A-2(d);
- If you check this box, complete Section 2.A.(10) of Schedule D.
- (11) are an **Internet adviser** relying on rule 203A-2(e);
- (12) have **received an SEC order** exempting you from the prohibition against registration with the SEC;
- If you check this box, complete Section 2.A.(12) of Schedule D.
- (13) are **no longer eligible** to remain registered with the SEC.

State Securities Authority Notice Filings and State Reporting by Exempt Reporting

Advisers

C. Under state laws, SEC-registered advisers may be required to provide to *state securities authorities* a copy of the Form ADV and any amendments they file with the SEC. These are called *notice filings*. In addition, *exempt reporting advisers* may be required to provide *state securities authorities* with a copy of reports and any amendments they file with the SEC. If this is an initial application or report, check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings or reports you submit to the SEC. If this is an amendment to direct your *notice filings* or reports to additional state(s), check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings or reports you submit to the SEC. If this is an amendment to your registration to stop your *notice filings* or reports from going to state(s) that currently receive them, uncheck the box(es) next to those state(s).

Jurisdictions

<input checked="" type="checkbox"/> AL	<input type="checkbox"/> ID	<input checked="" type="checkbox"/> MO	<input checked="" type="checkbox"/> PA
<input type="checkbox"/> AK	<input checked="" type="checkbox"/> IL	<input type="checkbox"/> MT	<input type="checkbox"/> PR
<input checked="" type="checkbox"/> AZ	<input checked="" type="checkbox"/> IN	<input checked="" type="checkbox"/> NE	<input checked="" type="checkbox"/> RI
<input checked="" type="checkbox"/> AR	<input checked="" type="checkbox"/> IA	<input checked="" type="checkbox"/> NV	<input checked="" type="checkbox"/> SC
<input checked="" type="checkbox"/> CA	<input checked="" type="checkbox"/> KS	<input type="checkbox"/> NH	<input type="checkbox"/> SD
<input checked="" type="checkbox"/> CO	<input checked="" type="checkbox"/> KY	<input checked="" type="checkbox"/> NJ	<input checked="" type="checkbox"/> TN
<input checked="" type="checkbox"/> CT	<input checked="" type="checkbox"/> LA	<input checked="" type="checkbox"/> NM	<input checked="" type="checkbox"/> TX
<input checked="" type="checkbox"/> DE	<input checked="" type="checkbox"/> ME	<input checked="" type="checkbox"/> NY	<input checked="" type="checkbox"/> UT
<input type="checkbox"/> DC	<input type="checkbox"/> MD	<input checked="" type="checkbox"/> NC	<input type="checkbox"/> VT
<input checked="" type="checkbox"/> FL	<input checked="" type="checkbox"/> MA	<input type="checkbox"/> ND	<input type="checkbox"/> VI
<input checked="" type="checkbox"/> GA	<input checked="" type="checkbox"/> MI	<input checked="" type="checkbox"/> OH	<input checked="" type="checkbox"/> VA
<input type="checkbox"/> GU	<input checked="" type="checkbox"/> MN	<input checked="" type="checkbox"/> OK	<input checked="" type="checkbox"/> WA
<input type="checkbox"/> HI	<input checked="" type="checkbox"/> MS	<input type="checkbox"/> OR	<input checked="" type="checkbox"/> WV
			<input checked="" type="checkbox"/> WI

If you are amending your registration to stop your *notice filings* or reports from going to a state that currently receives them and you do not want to pay that state's *notice filing* or report filing fee for the coming year, your amendment must be filed before the end of the year (December 31).

Item 3 Form of Organization

A. How are you organized?

- Corporation
- Sole Proprietorship
- Limited Liability Partnership (LLP)
- Partnership
- Limited Liability Company (LLC)
- Limited Partnership (LP)
- Other (specify):

If you are changing your response to this Item, see Part 1A Instruction 4.

- B. In what month does your fiscal year end each year?

DECEMBER

- C. Under the laws of what state or country are you organized?

State Country

Florida UNITED STATES

If you are a partnership, provide the name of the state or country under whose laws your partnership was formed. If you are a sole proprietor, provide the name of the state or country where you reside.

If you are changing your response to this Item, see Part 1A Instruction 4.

Item 4 Successions

- A. Are you, at the time of this filing, succeeding to the business of a registered investment adviser? Yes No



If "yes", complete Item 4.B. and Section 4 of Schedule D.

- B. Date of Succession: (MM/DD/YYYY)

If you have already reported this succession on a previous Form ADV filing, do not report the succession again. Instead, check "No." See Part 1A Instruction 4.

Item 5 Information About Your Advisory Business - Employees, Clients, and Compensation

Responses to this Item help us understand your business, assist us in preparing for on-site examinations, and provide us with data we use when making regulatory policy. Part 1A Instruction 5.a. provides additional guidance to newly formed advisers for completing this Item 5.

Employees

If you are organized as a sole proprietorship, include yourself as an *employee* in your responses to Item 5.A. and Items 5.B.(1), (2), (3), (4), and (5). If an *employee* performs more than one function, you should count that *employee* in each of your responses to Items 5.B.(1), (2), (3), (4), and (5).

- A. Approximately how many *employees* do you have? Include full- and part-time *employees* but do not include any clerical workers.

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- B. (1) Approximately how many of the *employees* reported in 5.A. perform investment advisory functions (including research)?

- (a) Individuals (other than *high net worth individuals*)
- (b) *High net worth individuals*
- (c) Banking or thrift institutions
- (d) Investment companies
- (e) Business development companies
- (f) Pooled investment vehicles (other than investment companies)
- (g) Pension and profit sharing plans (but not the plan participants)
- (h) Charitable organizations
- (i) Corporations or other businesses not listed above
- (j) State or municipal *government entities*
- (k) Other investment advisers
- (l) Insurance companies
- (m) Other:

(2) Indicate the approximate amount of your regulatory assets under management (reported in Item 5.F. below) attributable to each of the following type of *client*. If a *client* fits into more than one category, check all that apply.

- | | None | Up to 25% | Up to 50% | Up to 75% | >75% |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|----------------------------------|
| (a) Individuals (other than <i>high net worth individuals</i>) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| (b) <i>High net worth individuals</i> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (c) Banking or thrift institutions | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (d) Investment companies | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (e) Business development companies | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (f) Pooled investment vehicles (other than investment companies) | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (g) Pension and profit sharing plans (but not the plan participants) | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (h) Charitable organizations | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (i) Corporations or other businesses not listed above | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (j) State or municipal <i>government entities</i> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (k) Other investment advisers | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (l) Insurance companies | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (m) Other: | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Compensation Arrangements

E. You are compensated for your investment advisory services by (check all that apply):

- (1) A percentage of assets under your management
- (2) Hourly charges
- (3) Subscription fees (for a newsletter or periodical)
- (4) Fixed fees (other than subscription fees)
- (5) Commissions
- (6) *Performance-based fees*
- (7) Other (specify):

Item 5 Information About Your Advisory Business - Regulatory Assets Under Management**Regulatory Assets Under Management**

F. (1) Do you provide continuous and regular supervisory or management services to securities portfolios? Yes No

(2) If yes, what is the amount of your regulatory assets under management and total number of accounts?

	U.S. Dollar Amount	Total Number of Accounts
Discretionary:	(a) \$ 74,399,382	(d) 533
Non-Discretionary:	(b) \$ 3,564,299	(e) 32
Total:	(c) \$ 77,963,681	(f) 565

Part 1A Instruction 5.b. explains how to calculate your regulatory assets under management. You must follow these instructions carefully when completing this Item.

Item 5 Information About Your Advisory Business - Advisory Activities**Advisory Activities**

G. What type(s) of advisory services do you provide? Check all that apply.

- (1) Financial planning services
- (2) Portfolio management for individuals and/or small businesses
- (3) Portfolio management for investment companies (as well as "business development companies" that have made an election pursuant to section 54 of the Investment Company Act of 1940)
- (4) Portfolio management for pooled investment vehicles (other than investment companies)
- (5) Portfolio management for businesses (other than small businesses) or institutional *clients* (other than registered investment companies and other pooled investment vehicles)
- (6) Pension consulting services
- (7) Selection of other advisers (including *private fund* managers)
- (8) Publication of periodicals or newsletters
- (9) Security ratings or pricing services
- (10) Market timing services
- (11) Educational seminars/workshops
- (12) Other(specify): MEDICAID AID PLANNING

Do not check Item 5.G.(3) unless you provide advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940, including as a subadviser. If you check Item 5.G.(3), report the 811 or 814 number of the investment company or investment companies to which you provide advice in Section 5.G.(3) of Schedule D.

H. If you provide financial planning services, to how many *clients* did you provide these services during your last fiscal year?

- 0
 1 - 10
 11 - 25
 26 - 50
 51 - 100
 101 - 250
 251 - 500
 More than 500
 If more than 500, how many?
 (round to the nearest 500)

In your responses to this Item 5.H., do not include as "*clients*" the investors in a *private fund* you advise, unless you have a separate advisory relationship with those investors.

I. If you participate in a *wrap fee program*, do you (check all that apply):

- (1) *sponsor* the *wrap fee program*?
 (2) act as a portfolio manager for the *wrap fee program*?

If you are a portfolio manager for a *wrap fee program*, list the names of the programs and their *sponsors* in Section 5.I.(2) of Schedule D.

If your involvement in a *wrap fee program* is limited to recommending *wrap fee programs* to your *clients*, or you advise a mutual fund that is offered through a *wrap fee program*, do not check either Item 5.I.(1) or 5.I.(2).

Yes No

J. In response to Item 4.B. of Part 2A of Form ADV, do you indicate that you provide investment advice only with respect to limited types of investments?

Item 6 Other Business Activities

In this Item, we request information about your firm's other business activities.

A. You are actively engaged in business as a (check all that apply):

- (1) broker-dealer (registered or unregistered)
 (2) registered representative of a broker-dealer
 (3) commodity pool operator or commodity trading advisor (whether registered or exempt from registration)
 (4) futures commission merchant
 (5) real estate broker, dealer, or agent
 (6) insurance broker or agent
 (7) bank (including a separately identifiable department or division of a bank)

- (8) trust company
- (9) registered municipal advisor
- (10) registered security-based swap dealer
- (11) major security-based swap participant
- (12) accountant or accounting firm
- (13) lawyer or law firm
- (14) other financial product salesperson (specify):

If you engage in other business using a name that is different from the names reported in Items 1.A. or 1.B, complete Section 6.A. of Schedule D.

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| | Yes No |
| B. (1) Are you actively engaged in any other business not listed in Item 6.A. (other than giving investment advice)? | <input type="radio"/> <input checked="" type="radio"/> |
| (2) If yes, is this other business your primary business? | <input type="radio"/> <input type="radio"/> |
| <i>If "yes," describe this other business on Section 6.B.(2) of Schedule D, and if you engage in this business under a different name, provide that name.</i> | |
| | Yes No |
| (3) Do you sell products or provide services other than investment advice to your advisory clients? | <input checked="" type="radio"/> <input type="radio"/> |

If "yes," describe this other business on Section 6.B.(3) of Schedule D, and if you engage in this business under a different name, provide that name.

Item 7 Financial Industry Affiliations and Private Fund Reporting

In this Item, we request information about your financial industry affiliations and activities. This information identifies areas in which conflicts of interest may occur between you and your *clients*.

- A. This part of Item 7 requires you to provide information about you and your *related persons*, including foreign affiliates. Your *related persons* are all of your *advisory affiliates* and any person that is under common *control* with you.

You have a *related person* that is a (check all that apply):

- (1) broker-dealer, municipal securities dealer, or government securities broker or dealer (registered or unregistered)
- (2) other investment adviser (including financial planners)
- (3) registered municipal advisor
- (4) registered security-based swap dealer
- (5) major security-based swap participant
- (6) commodity pool operator or commodity trading advisor (whether registered or exempt from registration)
- (7) futures commission merchant
- (8) banking or thrift institution
- (9) trust company
- (10) accountant or accounting firm
- (11) lawyer or law firm
- (12) insurance company or agency
- (13) pension consultant
- (14) real estate broker or dealer
- (15) sponsor or syndicator of limited partnerships (or equivalent), excluding pooled investment vehicles
- (16) sponsor, general partner, managing member (or equivalent) of pooled investment vehicles

For each *related person*, including foreign affiliates that may not be registered or required to be registered in the United States, complete Section 7.A. of Schedule D.

You do not need to complete Section 7.A. of Schedule D for any *related person* if: (1) you have no business dealings with the *related person* in connection with advisory services you provide to your *clients*; (2) you do not conduct shared operations with the *related person*; (3) you do not refer *clients* or business to the *related person*, and the *related person* does not refer prospective *clients* or business to you; (4) you do not share supervised persons or premises with the *related person*; and (5) you have no reason to believe that your relationship with the *related person* otherwise creates a conflict of interest with your *clients*.

You must complete Section 7.A. of Schedule D for each *related person* acting as qualified custodian in connection with advisory services you provide to your *clients* (other than any mutual fund transfer agent pursuant to rule 206(4)-2(b)(1)), regardless of whether you have determined the *related person* to be operationally independent under rule 206(4)-2 of the Advisers Act.

B. Are you an adviser to any *private fund*?

Yes No

If "yes," then for each *private fund* that you advise, you must complete a Section 7.B.(1) of Schedule D, except in certain circumstances described in the next sentence and in Instruction 6 of the Instructions to Part 1A. If another adviser reports this information with respect to any such *private fund* in Section 7.B.(1) of Schedule D of its Form ADV (e.g., if you are a subadviser), do not complete Section 7.B.(1) of Schedule D with respect to that *private fund*. You must, instead, complete Section 7.B.(2) of Schedule D.

In either case, if you seek to preserve the anonymity of a *private fund* client by maintaining its identity in your books and records in numerical or alphabetical code, or similar designation, pursuant to rule 204-2(d), you may identify the *private fund* in Section 7.B.(1) or 7.B.(2) of Schedule D using the same code or designation in place of the fund's name.

Item 8 Participation or Interest in *Client* Transactions

In this Item, we request information about your participation and interest in your *clients'* transactions. This information identifies additional areas in which conflicts of interest may occur between you and your *clients*.

Like Item 7, Item 8 requires you to provide information about you and your *related persons*, including foreign affiliates.

Proprietary Interest in *Client* Transactions

A. Do you or any *related person*:

Yes No

(1) buy securities for yourself from advisory *clients*, or sell securities you own to advisory *clients* (principal transactions)?

(2) buy or sell for yourself securities (other than shares of mutual funds) that you also recommend to advisory *clients*?

(3) recommend securities (or other investment products) to advisory *clients* in which you or any *related person* has some other proprietary (ownership) interest (other than those mentioned in Items 8.A.(1) or (2))?

Sales Interest in *Client* Transactions

B. Do you or any *related person*:

Yes No

- (1) as a broker-dealer or registered representative of a broker-dealer, execute securities trades for brokerage customers in which advisory *client* securities are sold to or bought from the brokerage customer (agency cross transactions)?
- (2) recommend purchase of securities to advisory *clients* for which you or any *related person* serves as underwriter, general or managing partner, or purchaser representative?
- (3) recommend purchase or sale of securities to advisory *clients* for which you or any *related person* has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?

Investment or Brokerage Discretion

- C. Do you or any *related person* have *discretionary authority* to determine the: Yes No
- (1) securities to be bought or sold for a *client's* account?
- (2) amount of securities to be bought or sold for a *client's* account?
- (3) broker or dealer to be used for a purchase or sale of securities for a *client's* account?
- (4) commission rates to be paid to a broker or dealer for a *client's* securities transactions?
- D. If you answer "yes" to C.(3) above, are any of the brokers or dealers *related persons*?
- E. Do you or any *related person* recommend brokers or dealers to *clients*?
- F. If you answer "yes" to E above, are any of the brokers or dealers *related persons*?
- G. (1) Do you or any *related person* receive research or other products or services other than execution from a broker-dealer or a third party ("soft dollar benefits") in connection with *client* securities transactions?
- (2) If "yes" to G.(1) above, are all the "soft dollar benefits" you or any *related persons* receive eligible "research or brokerage services" under section 28(e) of the Securities Exchange Act of 1934?
- H. Do you or any *related person*, directly or indirectly, compensate any *person* for *client* referrals?
- I. Do you or any *related person*, directly or indirectly, receive compensation from any *person* for *client* referrals?

In responding to Items 8.H and 8.I., consider all cash and non-cash compensation that you or a *related person* gave to (in answering Item 8.H) or received from (in answering Item 8.I) any *person* in exchange for client referrals, including any bonus that is based, at least in part, on the number or amount of client referrals.

Item 9 Custody

In this Item, we ask you whether you or a *related person* has *custody* of *client* (other than *clients* that are investment companies registered under the Investment Company Act of 1940) assets and about your custodial practices.

- A. (1) Do you have *custody* of any advisory *clients'*: Yes No
- (a) cash or bank accounts?

(b) securities?

If you are registering or registered with the SEC, answer "No" to Item 9.A.(1)(a) and (b) if you have *custody* solely because (i) you deduct your advisory fees directly from your *clients'* accounts, or (ii) a *related person* has custody of *client* assets in connection with advisory services you provide to *clients*, but you have overcome the presumption that you are not operationally independent (pursuant to Advisers Act rule 206(4)-(2)(d)(5)) from the *related person*.

(2) If you checked "yes" to Item 9.A(1)(a) or (b), what is the approximate amount of *client* funds and securities and total number of *clients* for which you have *custody*:

U.S. Dollar Amount	Total Number of <i>Clients</i>
(a) \$	(b)

If you are registering or registered with the SEC and you have custody solely because you deduct your advisory fees directly from your *clients'* accounts, do not include the amount of those assets and the number of those *clients* in your response to Item 9.A.(2). If your related person has custody of *client* assets in connection with advisory services you provide to *clients*, do not include the amount of those assets and number of those *clients* in your response to 9.A.(2). Instead, include that information in your response to Item 9.B.(2).

B. (1) In connection with advisory services you provide to *clients*, do any of your *related persons* have *custody* of any of your advisory *clients'*:

(a) cash or bank accounts?

(b) securities?

You are required to answer this item regardless of how you answered Item 9.A.(1)(a) or (b).

(2) If you checked "yes" to Item 9.B.(1)(a) or (b), what is the approximate amount of *client* funds and securities and total number of *clients* for which your *related persons* have *custody*:

U.S. Dollar Amount	Total Number of <i>Clients</i>
(a) \$	(b)

C. If you or your *related persons* have *custody* of *client* funds or securities in connection with advisory services you provide to *clients*, check all the following that apply:

- (1) A qualified custodian(s) sends account statements at least quarterly to the investors in the pooled investment vehicle(s) you manage.
- (2) An *independent public accountant* audits annually the pooled investment vehicle(s) that you manage and the audited financial statements are distributed to the investors in the pools.
- (3) An *independent public accountant* conducts an annual surprise examination of *client* funds and securities.
- (4) An *independent public accountant* prepares an internal control report with respect to custodial services when you or your *related persons* are qualified custodians for *client* funds and securities.

If you checked Item 9.C.(2), C.(3) or C.(4), list in Section 9.C. of Schedule D the accountants

that are engaged to perform the audit or examination or prepare an internal control report. (If you checked Item 9.C.(2), you do not have to list auditor information in Section 9.C. of Schedule D if you already provided this information with respect to the *private funds* you advise in Section 7.B.(1) of Schedule D).

- D. Do you or your *related person(s)* act as qualified custodians for your *clients* in connection with advisory services you provide to *clients*? Yes No
- (1) you act as a qualified custodian
- (2) your *related person(s)* act as qualified custodian(s)

If you checked "yes" to Item 9.D.(2), all related persons that act as qualified custodians (other than any mutual fund transfer agent pursuant to rule 206(4)-2(b)(1)) must be identified in Section 7.A. of Schedule D, regardless of whether you have determined the related person to be operationally independent under rule 206(4)-2 of the Advisers Act.

- E. If you are filing your *annual updating amendment* and you were subject to a surprise examination by an *independent public accountant* during your last fiscal year, provide the date (MM/YYYY) the examination commenced:
- F. If you or your *related persons* have *custody of client funds* or securities, how many persons, including, but not limited to, you and your *related persons*, act as qualified custodians for your *clients* in connection with advisory services you provide to *clients*?

Item 10 Control Persons

In this Item, we ask you to identify every *person* that, directly or indirectly, *controls* you.

If you are submitting an initial application or report, you must complete Schedule A and Schedule B. Schedule A asks for information about your direct owners and executive officers. Schedule B asks for information about your indirect owners. If this is an amendment and you are updating information you reported on either Schedule A or Schedule B (or both) that you filed with your initial application or report, you must complete Schedule C.

- A. Does any *person* not named in Item 1.A. or Schedules A, B, or C, directly or indirectly, *control* your management or policies? Yes No
-

If yes, complete Section 10.A. of Schedule D.

- B. If any *person* named in Schedules A, B, or C or in Section 10.A. of Schedule D is a public reporting company under Sections 12 or 15(d) of the Securities Exchange Act of 1934, please complete Section 10.B. of Schedule D.

Item 11 Disclosure Information

In this Item, we ask for information about your disciplinary history and the disciplinary history of all your *advisory affiliates*. We use this information to determine whether to grant your application for registration, to decide whether to revoke your registration or to place limitations on your activities as an investment adviser, and to identify potential problem areas to focus on during our on-site examinations. One event may result in "yes" answers to more than one of the questions below.

Your *advisory affiliates* are: (1) all of your current *employees* (other than *employees* performing only clerical, administrative, support or similar functions); (2) all of your officers, partners, or directors (or any *person* performing similar functions); and (3) all *persons* directly or indirectly *controlling* you or *controlled* by you. If you are a "separately identifiable department or division" (SID) of a bank, see the Glossary of Terms to determine who your *advisory affiliates* are.

If you are registered or registering with the SEC or if you are an exempt reporting adviser, you may limit your disclosure of any event listed in Item 11 to ten years following the date of the event. If you are registered or registering with a state, you must respond to the questions as posed; you may, therefore, limit your disclosure to ten years following the date of an event only in responding to Items 11.A.(1), 11.A.(2), 11.B.(1), 11.B.(2), 11.D.(4), and 11.H.(1)(a). For purposes of calculating this ten-year period, the date of an event is the date the final *order*, judgment, or decree was entered, or the date any rights of appeal from preliminary *orders*, judgments, or decrees lapsed.

You must complete the appropriate Disclosure Reporting Page ("DRP") for "yes" answers to the questions in this Item 11.

	Yes No
Do any of the events below involve you or any of your <i>supervised persons</i> ?	<input checked="" type="radio"/> <input type="radio"/>

For "yes" answers to the following questions, complete a Criminal Action DRP:

A. In the past ten years, have you or any <i>advisory affiliate</i> :	Yes No
(1) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any <i>felony</i> ?	<input type="radio"/> <input checked="" type="radio"/>
(2) been <i>charged</i> with any <i>felony</i> ?	<input type="radio"/> <input checked="" type="radio"/>

If you are registered or registering with the SEC, or if you are reporting as an exempt reporting adviser, you may limit your response to Item 11.A.(2) to *charges* that are currently pending.

B. In the past ten years, have you or any <i>advisory affiliate</i> :	Yes No
(1) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a <i>misdemeanor</i> involving: investments or an <i>investment-related</i> business, or any fraud, false statements, or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?	<input type="radio"/> <input checked="" type="radio"/>
(2) been <i>charged</i> with a <i>misdemeanor</i> listed in Item 11.B.(1)?	<input type="radio"/> <input checked="" type="radio"/>

If you are registered or registering with the SEC, or if you are reporting as an exempt reporting adviser, you may limit your response to Item 11.B.(2) to *charges* that are currently pending.

For "yes" answers to the following questions, complete a Regulatory Action DRP:

C. Has the SEC or the Commodity Futures Trading Commission (CFTC) ever:	Yes No
(1) <i>found</i> you or any <i>advisory affiliate</i> to have made a false statement or omission?	<input type="radio"/> <input checked="" type="radio"/>
(2) <i>found</i> you or any <i>advisory affiliate</i> to have been <i>involved</i> in a violation of SEC or CFTC regulations or statutes?	<input type="radio"/> <input checked="" type="radio"/>
(3) <i>found</i> you or any <i>advisory affiliate</i> to have been a cause of an <i>investment-related</i> business having its authorization to do business denied, suspended, revoked, or restricted?	<input type="radio"/> <input checked="" type="radio"/>
(4) entered an <i>order</i> against you or any <i>advisory affiliate</i> in connection with <i>investment-related</i> activity?	<input type="radio"/> <input checked="" type="radio"/>

- (5) imposed a civil money penalty on you or any *advisory affiliate*, or ordered you or any *advisory affiliate* to cease and desist from any activity?
- D. Has any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority*:
- (1) ever *found* you or any *advisory affiliate* to have made a false statement or omission, or been dishonest, unfair, or unethical?
- (2) ever *found* you or any *advisory affiliate* to have been *involved* in a violation of *investment-related* regulations or statutes?
- (3) ever *found* you or any *advisory affiliate* to have been a cause of an *investment-related* business having its authorization to do business denied, suspended, revoked, or restricted?
- (4) in the past ten years, entered an *order* against you or any *advisory affiliate* in connection with an *investment-related* activity?
- (5) ever denied, suspended, or revoked your or any *advisory affiliate's* registration or license, or otherwise prevented you or any *advisory affiliate*, by *order*, from associating with an *investment-related* business or restricted your or any *advisory affiliate's* activity?
- E. Has any *self-regulatory organization* or commodities exchange ever:
- (1) *found* you or any *advisory affiliate* to have made a false statement or omission?
- (2) *found* you or any *advisory affiliate* to have been *involved* in a violation of its rules (other than a violation designated as a "*minor rule violation*" under a plan approved by the SEC)?
- (3) *found* you or any *advisory affiliate* to have been the cause of an *investment-related* business having its authorization to do business denied, suspended, revoked, or restricted?
- (4) disciplined you or any *advisory affiliate* by expelling or suspending you or the *advisory affiliate* from membership, barring or suspending you or the *advisory affiliate* from association with other members, or otherwise restricting your or the *advisory affiliate's* activities?
- F. Has an authorization to act as an attorney, accountant, or federal contractor granted to you or any *advisory affiliate* ever been revoked or suspended?
- G. Are you or any *advisory affiliate* now the subject of any regulatory proceeding that could result in a "yes" answer to any part of Item 11.C., 11.D., or 11.E.?

[View Disclosure Reporting Page](#)

For "yes" answers to the following questions, complete a Civil Judicial Action DRP:

- | | Yes | No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------|
| H. (1) Has any domestic or foreign court: | | |
| (a) in the past ten years, enjoined you or any <i>advisory affiliate</i> in connection with any <i>investment-related</i> activity? | <input type="radio"/> | <input checked="" type="radio"/> |
| (b) ever <i>found</i> that you or any <i>advisory affiliate</i> were <i>involved</i> in a violation of <i>investment-related</i> statutes or regulations? | <input type="radio"/> | <input checked="" type="radio"/> |
| (c) ever dismissed, pursuant to a settlement agreement, an <i>investment-related</i> civil action brought against you or any <i>advisory affiliate</i> by a state or <i>foreign financial regulatory authority</i> ? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) Are you or any <i>advisory affiliate</i> now the subject of any civil proceeding that could result in a "yes" answer to any part of Item 11.H.(1)? | <input type="radio"/> | <input checked="" type="radio"/> |

Item 12 Small Businesses

The SEC is required by the Regulatory Flexibility Act to consider the effect of its regulations on small entities. In order to do this, we need to determine whether you meet the definition of "small business" or "small organization" under rule 0-7.

Answer this Item 12 only if you are registered or registering with the SEC **and** you indicated in response to Item 5.F.(2)(c) that you have regulatory assets under management of less than \$25 million. You are not required to answer this Item 12 if you are filing for initial registration as a state adviser, amending a current state registration, or switching from SEC to state registration.

For purposes of this Item 12 only:

- Total Assets refers to the total assets of a firm, rather than the assets managed on behalf of *clients*. In determining your or another *person's* total assets, you may use the total assets shown on a current balance sheet (but use total assets reported on a consolidated balance sheet with subsidiaries included, if that amount is larger).
- *Control* means the power to direct or cause the direction of the management or policies of a *person*, whether through ownership of securities, by contract, or otherwise. Any *person* that directly or indirectly has the right to vote 25 percent or more of the voting securities, or is entitled to 25 percent or more of the profits, of another *person* is presumed to *control* the other *person*.

		Yes	No
A. Did you have total assets of \$5 million or more on the last day of your most recent fiscal year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If "yes," you do not need to answer Items 12.B. and 12.C.			
B. Do you:			
(1) <i>control</i> another investment adviser that had regulatory assets under management (calculated in response to Item 5.F.(2)(c) of Form ADV) of \$25 million or more on the last day of its most recent fiscal year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(2) <i>control</i> another <i>person</i> (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Are you:			
(1) <i>controlled</i> by or under common <i>control</i> with another investment adviser that had regulatory assets under management (calculated in response to Item 5.F.(2)(c) of Form ADV) of \$25 million or more on the last day of its most recent fiscal year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(2) <i>controlled</i> by or under common <i>control</i> with another <i>person</i> (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part 2 Brochures**Exemption from brochure delivery requirements for SEC-registered advisers**

SEC rules exempt SEC-registered advisers from delivering a firm brochure to some kinds of clients. If these exemptions excuse you from delivering a brochure to *all* of your advisory clients, you do not have to prepare a brochure.

Are you exempt from delivering a brochure to all of your clients under these rules?

Yes No

If no, complete the ADV Part 2 filing below.

Brochures		
Note: These documents are available as Portable Document Format (PDF) files. If you do not have the Adobe Acrobat Reader to view PDF files, please click here to download.		
Brochure Name	Date Submitted	Date Last Confirmed
ADV PART 2 APRIL 25, 2012	04/27/2012	

Schedule A

Direct Owners and Executive Officers

- Complete Schedule A only if you are submitting an initial application or report. Schedule A asks for information about your direct owners and executive officers. Use Schedule C to amend this information.
- Direct Owners and Executive Officers. List below the names of:
 - each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer (Chief Compliance Officer is required if you are registered or applying for registration and cannot be more than one individual), director, and any other individuals with similar status or functions;
 - if you are organized as a corporation, each shareholder that is a direct owner of 5% or more of a class of your voting securities, unless you are a public reporting company (a company subject to Section 12 or 15(d) of the Exchange Act);
Direct owners include any *person* that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 5% or more of a class of your voting securities. For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.
 - if you are organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 5% or more of your capital;
 - in the case of a trust that directly owns 5% or more of a class of your voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of your capital, the trust and each trustee; and
 - if you are organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 5% or more of your capital, and (ii) if managed by elected managers, all elected managers.
- Do you have any indirect owners to be reported on Schedule B? Yes No
- In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner or executive officer is an individual.
- Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).
- Ownership codes are:

NA - less than 5%	B - 10% but less than 25%	D - 50% but less than 75%
A - 5% but less than 10%	C - 25% but less than 50%	E - 75% or more
- (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.

(b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.

(c) Complete each column.

FULL LEGAL NAME (Individuals: Last Name, First Name, Middle Name)	DE/FE/I	Status	Date Status Acquired MM/YYYY	Ownership Code	Control Person	PR	CRD No. If None: S.S. No. and Date of Birth, IRS Tax No. or Employer ID No.
LOCY, DAVID WILLIAM	I	DIRECT OWNER	07/2005	B	N		
BROOKSTONE CAPITAL MANAGEMENT, LLC.	DE	PARENT COMPANY	06/2005	E	N	N	
KIM, KYONG	I	CHIEF COMPLIANCE OFFICER	03/2010	NA	Y	N	
RICHARDSON, PAUL REID	I	PRESIDENT/CEO/FINOP	06/2011	NA	Y	N	

Schedule B

Indirect Owners

- Complete Schedule B only if you are submitting an initial application. Schedule B asks for information about your indirect owners; you must first complete Schedule A, which asks for information about your direct owners. Use Schedule C to amend this information.
- Indirect Owners. With respect to each owner listed on Schedule A (except individual owners), list below:
 - in the case of an owner that is a corporation, each of its shareholders that beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 25% or more of a class of a voting security of that corporation;

For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.
 - in the case of an owner that is a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the partnership's capital;
 - in the case of an owner that is a trust, the trust and each trustee; and
 - in the case of an owner that is a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the LLC's capital, and (ii) if managed by elected managers, all elected managers.
- Continue up the chain of ownership listing all 25% owners at each level. Once a public reporting company (a company subject to Sections 12 or 15(d) of the Exchange Act) is reached, no further ownership information need be given.
- In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner is an individual.
- Complete the Status column by entering the owner's status as partner, trustee, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

6. Ownership codes are: C - 25% but less than 50% E - 75% or more
D - 50% but less than 75% F - Other (general partner, trustee, or elected manager)

7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.
- (b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.
- (c) Complete each column.

FULL LEGAL NAME (Individuals: Last Name, First Name, Middle Name)	DE/FE/I	Entity in Which Interest is Owned	Status	Date Status Acquired MM/YYYY	Ownership Code	Control Person	PR	CRD No. If None: S.S. No. and Date of Birth, IRS Tax No. or Employer ID No.
TURBEVILLE, ANTONY LEE	I	BROOKSTONE CAPITAL MANAGEMENT, LLC	CHAIRMAN OF THE BOARD	07/2005	E	Y	N	██████████

Schedule D**SECTION 1.B. Other Business Names**

No Information Filed

SECTION 1.F. Other Offices

No Information Filed

SECTION 1.I. Website Addresses

List your website addresses. You must complete a separate Schedule D Section 1.I. for each website address.

Website Address: WWW.BROOKSTONESECURITIES.COM

SECTION 1.L. Location of Books and Records

No Information Filed

SECTION 1.M. Registration with Foreign Financial Regulatory Authorities

No Information Filed

SECTION 2.A.(8) Related Adviser

If you are relying on the exemption in rule 203A-2(b) from the prohibition on registration because you *control*, are *controlled by*, or are under common *control* with an investment adviser that is registered with the SEC and your *principal office and place of business* is the same as that of the registered adviser, provide the following information:

Name of Registered Investment Adviser

CRD Number of Registered Investment Adviser

SEC Number of Registered Investment Adviser

801 -

SECTION 2.A.(9) Newly Formed Adviser

If you are relying on rule 203A-2(c), the newly formed adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations. You must make both of these representations:

- I am not registered or required to be registered with the SEC or a *state securities authority* and I have a reasonable expectation that I will be eligible to register with the SEC within 120 days after the date my registration with the SEC becomes effective.
- I undertake to withdraw from SEC registration if, on the 120th day after my registration with the SEC becomes effective, I would be prohibited by Section 203A(a) of the Advisers Act from registering with the SEC.

SECTION 2.A.(10) Multi-State Adviser

If you are relying on rule 203A-2(d), the multi-state adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations.

If you are applying for registration as an investment adviser with the SEC, you must make both of these representations:

- I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of 15 or more states to register as an investment adviser with the *state securities authorities* in those states.
- I undertake to withdraw from SEC registration if I file an amendment to this registration indicating that I would be required by the laws of fewer than 15 states to register as an investment adviser with the *state securities authorities* of those states.

If you are submitting your *annual updating amendment*, you must make this representation:

- Within 90 days prior to the date of filing this amendment, I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of at least 15 states to register as an investment adviser with the *state securities authorities* in those states.

SECTION 2.A.(12) SEC Exemptive Order

If you are relying upon an SEC *order* exempting you from the prohibition on registration, provide the following information:

Application Number:

803-

Date of order:

SECTION 4 Successions

No Information Filed

SECTION 5.G.(3) Advisers to Registered Investment Companies and Business Development Companies

No Information Filed

SECTION 5.I.(2) Wrap Fee Programs

No Information Filed

SECTION 6.A. Names of Your Other Businesses

No Information Filed

SECTION 6.B.(2) Description of Primary Business

Describe your primary business (not your investment advisory business):

If you engage in that business under a different name, provide that name:

SECTION 6.B.(3) Description of Other Products and ServicesDescribe other products or services you sell to your *client*, You may omit products and services that you listed in Section 6.B.(2) above.

APPLICANT OFFERS INSURANCE RELATED PRODUCTS

If you engage in that business under a different name, provide that name.

SECTION 7.A. Financial Industry Affiliations

No Information Filed

SECTION 7.B.(1) Private Fund Reporting

No Information Filed

SECTION 7.B.(2) Private Fund Reporting

No Information Filed

SECTION 9.C. Independent Public Accountant

No Information Filed

SECTION 10.A. Control Persons

No Information Filed

SECTION 10.B. Control Person Public Reporting Companies

No Information Filed

Schedule D - Miscellaneous

You may use the space below to explain a response to an Item or to provide any other information.

DRPs**CRIMINAL DISCLOSURE REPORTING PAGE (ADV)**

No Information Filed

CIVIL JUDICIAL ACTION DISCLOSURE REPORTING PAGE (ADV)

No Information Filed

REGULATORY ACTION DISCLOSURE REPORTING PAGE (ADV)*GENERAL INSTRUCTIONS*

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|---------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input checked="" type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART IA. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

 ADV DRP - ADVISORY AFFILIATE

CRD Number: [REDACTED] This advisory affiliate is a Firm an Individual

Registered: Yes No

Name: LOCY, DAVID
WILLIAM
(For individuals,
Last, First,
Middle)

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or CRD system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or CRD for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or CRD records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign
(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
FINRA
2. Principal Sanction:

Other Sanctions:
3. Date Initiated (MM/DD/YYYY):

05/23/2011 Exact Explanation
If not exact, provide explanation:
4. Docket/Case Number:

2009019837303

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

Other

Other Product Types:

THIRD PARTY PRIVATE PLACEMENT OFFERING

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

FINRA RULE 2010, NASD RULES 2110, 3010 - BROOKSTONE SECURITIES, INC., ACTING THROUGH A PRINCIPAL, HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING DUE DILIGENCE REQUIREMENTS FOR THIRD-PARTY PLACEMENTS. THE FIRM, ACTING THROUGH ITS PRINCIPAL, FAILED TO CONDUCT AN ADEQUATE DUE DILIGENCE OF A THIRD-PARTY PLACEMENT OFFERING BEFORE HE APPROVED THE OFFERING OF SHARES TO CUSTOMERS. THE PRINCIPAL'S DUE DILIGENCE EFFORTS DID NOT INCLUDE ANY INVESTIGATION INTO AN EQUITY FUND, DESPITE ACKNOWLEDGING THAT HE KNEW VERY LITTLE ABOUT IT OR THE THIRD-PARTY PLACEMENT AND COULD NOT GET ANY SOLID INFORMATION ABOUT THE FUND, INCLUDING PENDING LITIGATION OR FINANCIAL STATEMENTS. THE PRINCIPAL KNEW NOTHING ABOUT THE FUND THAT WAS NOT CONTAINED IN A PRIVATE PLACEMENT MEMORANDA PREPARED BY THE ISSUER, BUT ACCEPTED THAT THE FIRM REPRESENTATIVES FORMING THE OFFERING HAD DONE DUE DILIGENCE AND RELIED ON THEIR OPINION ON THE FUND. THE PRINCIPAL ACKNOWLEDGED THAT THE REPRESENTATIVES HAD LIMITED, IF ANY, EXPERIENCE FORMING A PRIVATE PLACEMENT. FIRM REPRESENTATIVES SOLD OR PARTICIPATED IN SALES OF SHARES TO CUSTOMERS WITHOUT NOTIFYING THE PRINCIPAL OR ANYONE ELSE AT THE FIRM, CAUSING THOSE SALES TO NOT BE RECORDED ON THE FIRM'S BOOKS AND RECORDS.

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Acceptance, Waiver & Consent(AWC)

11. Resolution Date (MM/DD/YYYY):

05/23/2011 Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- Monetary/Fine Amount: \$ 25,000
 Revocation/Expulsion/Denial
 Censure
 Bar
- Disgorgement/Restitution
 Cease and Desist/Injunction
 Suspension

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONCENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000 JOINTLY AND SEVERALLY.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|-------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input checked="" type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
 You and one or more of your *advisory affiliates*
 One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate*

below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a *CRD* number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

CRD Number: 4682865 This *advisory affiliate* is a Firm an Individual

Registered: Yes No

Name: LOCY, DAVID
WILLIAM
(For individuals,
Last, First,
Middle)

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.
- Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

- Regulatory Action initiated by:

SEC Other Federal State SRO Foreign
(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
FINRA
- Principal Sanction:

Other Sanctions:
- Date Initiated (MM/DD/YYYY):

11/16/2011 Exact Explanation

If not exact, provide explanation:

4. Docket/Case Number:
2009019070902
5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):
BROOKSTONE SECURITIES, INC.

6. Principal Product Type:

Direct Investment(s) - DPP & LP Interest(s)

Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

FINRA RULE 2010, NASD RULES 2110, 2310, 3010(A) - BROOKSTONE SECURITIES, INC. ACTING THROUGH ITS REGISTERED REPRESENTATIVES RECOMMENDED AND SOLD TWO PRIVATE PLACEMENT OFFERINGS IN NON-CONVERTIBLE REDEEMABLE CUMULATIVE PREFERRED STOCK AND THROUGH ITS PRESIDENT, FINANCIAL & OPERATIONS PRINCIPAL (FINOP) AND CHIEF COMPLIANCE OFFICER (CCO) AND ANOTHER CCO, FAILED TO CONDUCT ADEQUATE DUE DILIGENCE OF THE OFFERINGS BEFORE ALLOWING ITS REPRESENTATIVES TO RECOMMEND AND SELL THE SECURITIES. WITHOUT ADEQUATE DUE DILIGENCE, THE FIRM COULD NOT IDENTIFY AND UNDERSTAND THE INHERENT RISKS OF THE OFFERINGS AND DID NOT OBTAIN AND REVIEW BASIC INFORMATION ABOUT THE OFFERINGS. BECAUSE THE FIRM, ACTING THROUGH ITS PRINCIPALS, FAILED TO CONDUCT ADEQUATE DUE DILIGENCE, IT HAD NO REASONABLE BASIS FOR RECOMMENDING THE PURCHASE OF THE OFFERINGS BY CUSTOMERS. THE FIRM'S SALES TO CUSTOMERS OF THE OFFERINGS TOTALED \$815,000 AND THE FIRM EARNED \$72,350 IN COMMISSIONS AND ON DUE DILIGENCE FEES. THE FIRM FAILED TO DISCHARGE ITS SUPERVISORY RESPONSIBILITIES BY FAILING TO CONDUCT REASONABLE DUE DILIGENCE REGARDING THE OFFERINGS.

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

11. Resolution Date (MM/DD/YYYY):

Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- Monetary/Fine Amount: \$
 Revocation/Expulsion/Denial
 Censure
 Bar
- Disgorgement/Restitution
 Cease and Desist/Injunction
 Suspension

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

THE ALLEGATIONS BY THE DEPARTMENT RELATE TO BROOKSTONE'S PARTICIPATION AS A MEMBER OF THE SELLING GROUP FOR A LIMITED NUMBER OF SHALE ROYALTIES OFFERING TRANSACTIONS. AS NOTED, IN FINRA'S WELLS NOTICE OVER FIFTY (50) FINRA MEMBER FIRMS PARTICIPATED TO SOME EXTENT IN THE PROVIDENT ROYALTIES/SHALE ROYALTIES OFFERINGS OVER THE COURSE OF SEVERAL YEARS. AT ISSUE IS THE NATURE OF DUE DILIGENCE CONDUCTED BY BROOKSTONE SECURITIES PRIOR TO BROOKSTONE'S APPROVAL OF THE SHALE ROYALTIES OFFERINGS FOR SALE BY BROOKSTONE'S REGISTERED REPRESENTATIVES. CONTRARY TO THE DEPARTMENT'S ASSERTIONS, BROOKSTONE'S DUE DILIGENCE REVIEW WAS CONSISTENT WITH FEDERAL SECURITIES LAWS AND FINRA RULES. BROOKSTONE SATISFIED ITS OBLIGATIONS TO CONDUCT A REASONABLE INVESTIGATION WHEN IT REVIEWED (1) THE PRIVATE PLACEMENT MEMORANDUM, (2) THE RELATED MARKETING MATERIALS, (3) FINANCIAL STATEMENTS (INCLUDING AUDITED FINANCIAL STATEMENTS, WHEN AVAILABLE), AND (4) PUBLICLY AVAILABLE INFORMATION IN CONNECTION WITH BROOKSTONE'S DUE DILIGENCE PROCESS. BROOKSTONE AND MR. LOCY DENY THE CLAIMS MADE IN THE DISCIPLINARY COMPLAINT AND INTEND TO VIGOROUSLY DEFEND AGAINST THE ALLEGATIONS MADE AGAINST THEM IN THIS ACTION. FOR PURPOSES OF CLARIFICATION, MR. LOCY NEVER RECOMMENDED THE PURCHASE OF ANY PROVIDENT ROYALTIES/SHALE ROYALTIES SECURITIES TO ANY BROOKSTONE CLIENT.

GENERAL INSTRUCTIONS

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Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|-------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input checked="" type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The person(s) or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name). If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

CRD Number: [REDACTED] This *advisory affiliate* is a Firm an Individual

Registered: Yes No

Name: LOCY, DAVID
WILLIAM
(For individuals, Last, First, Middle)

CRD Number: [REDACTED] This *advisory affiliate* is a Firm an Individual

Registered: Yes No

Name: TURBEVILLE,
ANTONY LEE
(For individuals, Last, First, Middle)

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign

(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
FINRA

2. Principal Sanction:

Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

12/22/2009 Exact Explanation

If not exact, provide explanation:

RECEIVED BY MAIL 12/28/2009

4. Docket/Case Number:

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

No Product

Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

BROOKSTONE IS THE SUBJECT OF AN INVESTIGATION ALLEGING VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT, RULE 10(B)5 PROMULGATED THEREUNDER, NASD CONDUCT RULE 2110, 2120, 2310, 2510, 3010(A) AND 3010(B), FINRA RULE 2010 AND 2020.

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

11. Resolution Date (MM/DD/YYYY):

Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|------------------------------------------------------|------------------------------------------------------|
| <input type="checkbox"/> Monetary/Fine Amount: \$ | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input type="checkbox"/> Censure | <input type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|---------------------------------------------|----------------------------------|---------------------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input checked="" type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input checked="" type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a *CRD* number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - *ADVISORY AFFILIATE*

No Information Filed

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.
- Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

- Regulatory Action initiated by:

SEC Other Federal State SRO Foreign

(Full name of regulator, *foreign financial regulatory authority*, federal, state, or *SRO*)
ARKANSAS SECURITIES DEPARTMENT
- Principal Sanction:

Other
Other Sanctions:
CONSENT ORDER
- Date Initiated (MM/DD/YYYY):

01/11/2010 Exact Explanation
 If not exact, provide explanation:

4. Docket/Case Number:
S-10-040-10-CO01

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):
BROOKSTONE SECURITIES, INC.

6. Principal Product Type:

No Product
Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):
BROOKSTONE SECURITIES OPERATED AN UNREGISTERED BRANCH OFFICE IN ARKANSAS

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Consent

11. Resolution Date (MM/DD/YYYY):

03/15/2010 Exact Explanation
 If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|------------------------------------------------------------------|------------------------------------------------------|
| <input checked="" type="checkbox"/> Monetary/Fine Amount: \$ 100 | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input type="checkbox"/> Censure | <input type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

B. Other Sanctions *Ordered*:

TO PROPERLY REGISTER ALL BRANCH OFFICES IN ARKANSAS.
 Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.).
 If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been

satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

BROOKSTONE SECURITIES, INC. WAS FINED \$100.00 WHICH WAS PAID TO THE DEPARTMENT ON 03/11/2010. BROOKSTONE SECURITIES HAS REGISTERED THE BRANCH OFFIC NOTED IN CONSENT ORDER.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

THIS VIOLATION WAS FOUND DURING A ROUTINE EXAMINATION.

GENERAL INSTRUCTIONS

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Check item(s) being responded to:		Regulatory Action				
<input type="checkbox"/> 11.C(1)	<input type="checkbox"/> 11.C(2)	<input type="checkbox"/> 11.C(3)	<input type="checkbox"/> 11.C(4)	<input type="checkbox"/> 11.C(5)		
<input type="checkbox"/> 11.D(1)	<input type="checkbox"/> 11.D(2)	<input type="checkbox"/> 11.D(3)	<input type="checkbox"/> 11.D(4)	<input type="checkbox"/> 11.D(5)		
<input type="checkbox"/> 11.E(1)	<input checked="" type="checkbox"/> 11.E(2)	<input type="checkbox"/> 11.E(3)	<input checked="" type="checkbox"/> 11.E(4)			
<input type="checkbox"/> 11.F.	<input type="checkbox"/> 11.G.					

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

- A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

No Information Filed

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.

- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign

(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
NASD

2. Principal Sanction:

Suspension

Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

01/14/2005 Exact Explanation

If not exact, provide explanation:

4. Docket/Case Number:

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

Other

Other Product Types:

NON PAYMENT OF ARBITRATION FEES

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

FIRM WAS SUSPENDED DUE TO NON-PAYMENT OF NASD ABRITRATION FEES IN CASE #03-

08707-CH. THE FIRM UNDERSTOOD THE FEES WERE WAIVED AS PART OF THE SETTLEMENT AGREEMENT. FEES WERE ASSESSED AFTER THE ARBITRATION WAS SETTLED AND SENT TO THE FIRM'S ATTORNEY. CUSTOMER FEES WERE IN FACT WAIVED, BUT FEES WERE STILL ASSESSED TO FIRM AFTER THE FACT. ALL FEES HAVE BEEN PAID AND THE SUSPENSION WAS LIFTED ON FEB, 22, 2005

8. Current Status? Pending On Appeal Final
9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Other

11. Resolution Date (MM/DD/YYYY):

02/22/2005 Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

- A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|------------------------------------------------------|------------------------------------------------------|
| <input type="checkbox"/> Monetary/Fine Amount: \$ | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input type="checkbox"/> Censure | <input checked="" type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

- B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:
THE FIRM WAS SUSPENDED ON 1/14/2005 UNTIL 2/22/2005 WHEN PAYMENT WAS MADE.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

BROOKSTONE SECURITIES PREDECESSOR FIRM RISE, INC. INADVERTENTLY FAILED TO PAY THE MEMBER FEES ASSOCIATED WITH AN NASD ARBITRATION AWARD, ARBITRATION #03-08707-CH. THE MATTER HAD BEEN SETTLED BY THE PARTIES, BUT THERE WERE SOME OUTSTANDING MEMBER FEES. PURSUANT TO NASD RULE 9554, THE FIRM WAS THE SUBJECT OF AN EXPEDITED PROCEEDING, WITHOUT THE BENEFIT OF A HEARING, AND THE FIRM WAS SUSPENDED, UNTIL PAYMENT WAS MADE SHORTLY THEREAFTER. THE VIOLATION WAS NOT A INVESTMENT RELATED OR SALES PRACTICE RELATED.

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Check item(s) being responded to:		Regulatory Action				
<input type="checkbox"/> 11.C(1)	<input type="checkbox"/> 11.C(2)	<input type="checkbox"/> 11.C(3)	<input type="checkbox"/> 11.C(4)	<input type="checkbox"/> 11.C(5)		
<input type="checkbox"/> 11.D(1)	<input type="checkbox"/> 11.D(2)	<input type="checkbox"/> 11.D(3)	<input type="checkbox"/> 11.D(4)	<input type="checkbox"/> 11.D(5)		
<input type="checkbox"/> 11.E(1)	<input checked="" type="checkbox"/> 11.E(2)	<input type="checkbox"/> 11.E(3)	<input type="checkbox"/> 11.E(4)			
<input type="checkbox"/> 11.F.	<input type="checkbox"/> 11.G.					

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

No Information Filed

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or CRD system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or CRD for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or CRD records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign

(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
FINRA

2. Principal Sanction:

Censure

Other Sanctions:

FINE \$15,000.00

3. Date Initiated (MM/DD/YYYY):

08/08/2011 Exact Explanation

If not exact, provide explanation:

4. Docket/Case Number:

NO. 2009016158302

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

No Product

Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

AT VARIOUS TIMES DURING 2009, BROOKSTONE FAILED TO FILE AND/OR TIMELY FILE FIVE REQUIRED AMENDMENTS TO UNIFORM TERMINATION NOTICES FOR SECURITIES INDUSTRY REGISTRATION ("FORMS U4"). BROOKSTONE ALSO FILED TWO LATE AMENDMENTS TO UNIFORM TERMINATION NOTICES FOR SECURITIES INDUSTRY REGISTRATION ("FORMS U5").

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Acceptance, Waiver & Consent(AWC)

11. Resolution Date (MM/DD/YYYY):

08/08/2011 Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|---------------------------------------------------------------------|------------------------------------------------------|
| <input checked="" type="checkbox"/> Monetary/Fine Amount: \$ 15,000 | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input checked="" type="checkbox"/> Censure | <input type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:
\$15,000 FINE ASSESSED AGAINST BROOKSTONE SECURITIES ONLY, WHICH IS BEING PAID PURSUANT TO FINRA APPROVED INSTALLMENT PLAN.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

WITHOUT ADMITTING OR DENYING THE FINDINGS SET FORTH ABOVE, BROOKSTONE SECURITIES AGREED TO A SETTLEMENT OF THIS PROCEEDING IN ORDER TO AVOID THE COSTS AND UNCERTAINTY OF DEFENDING THE MERITS OF THE ALLEGED VIOLATIONS.

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|---------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input checked="" type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a *CRD* number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

No Information Filed

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.

- Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

1. Regulatory Action initiated by:

- SEC Other Federal State SRO Foreign
 (Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
 FINRA

2. Principal Sanction:

Other
Other Sanctions:
N/A

3. Date Initiated (MM/DD/YYYY):

04/30/2010 Exact Explanation
If not exact, provide explanation:

4. Docket/Case Number:

2008011675701

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

Other
Other Product Types:
CORPORATE BOND TRANSACTIONS

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

SECURITIES EXCHANGE ACT RULES 17A-3(A), 17A-3(A)(18), 17A-4(B), 17A-4(B)(1), FINRA BY-LAWS ARTICLE V, SECTION 2, NASD RULES 2110, 3010(A)(7), 3070, 3110(D), 6230: THE FIRM FAILED TO ENSURE THAT EACH OF ITS REGISTERED REPRESENTATIVES AND REGISTERED PRINCIPALS PARTICIPATED IN THE FIRM'S ANNUAL COMPLIANCE MEETING. THE FIRM FAILED TO TIMELY UPDATE A REGISTERED REPRESENTATIVE'S FORM U4 TO DISCLOSE REQUIRED INFORMATION AND FAILED TO TIMELY DISCLOSE TWO CUSTOMERS' COMPLAINT PURSUANT TO NASD RULE 3070. THE FIRM FAILED TO REPORT FIVE QUARTERLY STATISTICAL CUSTOMER COMPLAINTS; FAILED, IN INSTANCES, TO CREATE AND MAINTAIN A RECORD OF CUSTOMERS' COMPLAINT AND RELATED RECORDS THAT INCLUDED THE COMPLAINANT'S INFORMATION; AND, ALTERNATIVELY, FAILED TO MAINTAIN A SEPARATE FILE THAT CONTAINED COMPLAINANT'S INFORMATION. THE FIRM, IN INSTANCES, FAILED TO REPORT TRANSACTIONS TO TRACE AND FAILED TO EVIDENCE THE CREATION AND MAINTENANCE OF ORDER TICKETS FOR SELL TRANSACTIONS IN CORPORATE BOND TRANSACTIONS.

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Acceptance, Waiver & Consent(AWC)

11. Resolution Date (MM/DD/YYYY):

04/30/2010 Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- Monetary/Fine Amount: \$ 17,500
- Revocation/Expulsion/Denial Disgorgement/Restitution
- Censure Cease and Desist/Injunction
- Bar Suspension

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

BROOKSTONE SECURITIES AGREED TO THE PAYMENT OF A \$17,500 FINE.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|----------------------------------|----------------------------------|---------------------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input checked="" type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).
If the *advisory affiliate* has a *CRD* number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

No Information Filed

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.

- Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign
(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
NASD

2. Principal Sanction:

Suspension

Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

12/13/2004 Exact Explanation

If not exact, provide explanation:
 NOTICE OF INTENT TO SUSPEND

4. Docket/Case Number:
03-08707-CH
5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):
6. Principal Product Type:
 No Product
 Other Product Types:
7. Describe the allegations related to this regulatory action (your response must fit within the space provided):
 RISE, INC. FAILED TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR FEES OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.
8. Current Status? Pending On Appeal Final
9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:
 Other
11. Resolution Date (MM/DD/YYYY):
 02/22/2005 Exact Explanation
 If not exact, provide explanation:

12. Resolution Detail:

- A. Were any of the following Sanctions *Ordered* (check all appropriate items)?
- | | |
|------------------------------------------------------|------------------------------------------------------|
| <input type="checkbox"/> Monetary/Fine Amount: \$ | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input type="checkbox"/> Censure | <input checked="" type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |
- B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of

time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

RESPONDENT FIRM'S NASD MEMBERSHIP SUSPENDED JANUARY 14, 2005 FOR FAILING TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR PAY FEES IN ARBITRATION CASE #-3-08707-CH OR TO SATISFACTORILY RESPOND TO AN NASD REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

ALL FEES HAVE BEEN PAID AND THE SUSPENSION WAS LIFTED ON FEB 15, 2005. THIS WAS AN INADVERTANT SUSPENSION, OCCURRING WITHOUT AWARENESS OF FIRM, AND IMMEDIATELY RESOLVED UPON DISCOVERY. FIRM WAS SUSPENDED DUE TO NON-PAYMENT OF NASD ARBITRATION FEES IN CASE #03-08707-CH. THE FIRM UNDERSTOOD THE FEES WERE WAIVED AS PART OF THE SETTLEMENT AGREEMENT. FEES WERE ASSESSED AFTER THE ARBITRATION WAS SETTLED AND SENT TO THE FIRM'S ATTORNEY. CUSTOMER FEES WERE IN FACT WAIVED, BUT FEES WERE STILL ASSESSED TO FIRM AFTER THE FACT.

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- | | | | | |
|----------------------------------|-------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 11.C(1) | <input type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.C(5) |
| <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.D(5) |
| <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.E(3) | <input type="checkbox"/> 11.E(4) | |
| <input type="checkbox"/> 11.F. | <input checked="" type="checkbox"/> 11.G. | | | |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

- A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
- You and one or more of your *advisory affiliates*
- One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-

registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

CRD Number: [REDACTED] This advisory affiliate is a Firm an Individual

Registered: Yes No

Name: LOCY, DAVID
WILLIAM
(For individuals,
Last, First,
Middle)

CRD Number: [REDACTED] This advisory affiliate is a Firm an Individual

Registered: Yes No

Name: TURBEVILLE,
ANTONY LEE
(For individuals,
Last, First,
Middle)

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
- This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

- This DRP should be removed from the ADV record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the IARD system or CRD system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or CRD for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or CRD records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign
(Full name of regulator, *foreign financial regulatory authority*, federal, state, or SRO)
FINRA

2. Principal Sanction:

Other
Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

12/30/2009 Exact Explanation
If not exact, provide explanation:

4. Docket/Case Number:
20070114135015. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

Debt - Government
Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 2210(D)(1)(A), 2210(D)(1)(B), 2310(A), 2510(B), 3010(B) - BROOKSTONE SECURITIES, INC., IN CONNECTION WITH THE PURCHASE OR SALE OF COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS), DIRECTLY OR INDIRECTLY, BY THE USE OF MEANS OR INSTRUMENTALITIES OF INTERSTATE COMMERCE (INCLUDING BY TELEPHONE), OR OF THE MAILS, KNOWINGLY OR RECKLESSLY EMPLOYED DEVICES, SCHEMES OR ARTIFICES TO DEFRAUD; MADE UNTRUE STATEMENTS OF A MATERIAL FACT OR OMITTED TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, CONCERNING CMO INVESTMENTS; OR ENGAGED IN ACTS, PRACTICES OR COURSES OF BUSINESS WHICH OPERATED, OR WOULD OPERATE, AS A FRAUD OR DECEIT UPON ITS CUSTOMERS. THE FIRM EFFECTED TRANSACTIONS IN, OR INDUCED THE PURCHASE OR SALE OF, SECURITIES BY MEANS OF MANIPULATIVE, DECEPTIVE OR OTHER FRAUDULENT DEVICE OR CONTRIVANCE. THE FIRM MADE MATERIAL MISREPRESENTATIONS AND OMITTED TO DISCLOSE MATERIAL INFORMATION AT LEAST NEGLIGENTLY, AND IN SO DOING, VIOLATED ITS OBLIGATION TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE FIRM, ACTING THROUGH REGISTERED REPRESENTATIVES, RECOMMENDED HIGH-RISK CMO INVESTMENTS TO ELDERLY AND/OR RETIRED CUSTOMERS WITHOUT A REASONABLE BASIS FOR BELIEVING THAT THE INVESTMENTS WERE SUITABLE BASED ON THE CUSTOMERS' DISCLOSED AGE, INVESTMENT EXPERIENCE, INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND/OR RISK TOLERANCE. THE FIRM MADE MISREPRESENTATIONS, OMITTED MATERIAL FACTS AND USED MISLEADING STATEMENTS IN LETTERS SENT TO CERTAIN CUSTOMERS WHO INVESTED IN THE CMOS. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO REVIEW ALL CUSTOMER DISCRETIONARY ACCOUNTS AT FREQUENT INTERVIEWS TO DETECT AND PREVENT TRANSACTIONS THAT WERE EXCESSIVE IN SIZE OR FREQUENCY IN VIEW OF THE FINANCIAL RESOURCES AND CHARACTER OF THE ACCOUNTS AS REQUIRED BY THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, FAILED TO ADEQUATELY SUPERVISE CUSTOMER CMO ACCOUNTS AND TRANSACTIONS. THE FIRM, ACTING THROUGH INDIVIDUALS, FAILED TO ENFORCE ITS PROCEDURES REGARDING

SAFEGUARDING CUSTOMER INFORMATION. THE FIRM FAILED TO PROVIDE CUSTOMERS WITH THE OPPORTUNITY TO OPT OUT OF AN INFORMATION-SHARING ARRANGEMENT WITH A REGISTERED REPRESENTATIVE AT ANOTHER MEMBER FIRM. THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, NASD RULES 2110, 2120, 3010(B).

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

11. Resolution Date (MM/DD/YYYY):

Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|------------------------------------------------------|------------------------------------------------------|
| <input type="checkbox"/> Monetary/Fine Amount: \$ | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input type="checkbox"/> Censure | <input type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

GENERAL INSTRUCTIONS

This Disclosure Reporting Page (DRP ADV) is an INITIAL **OR** AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Regulatory Action

Check item(s) being responded to:

- 11.C(1) 11.C(2) 11.C(3) 11.C(4) 11.C(5)

- 11.D(1) 11.D(2) 11.D(3) 11.D(4) 11.D(5)
 11.E(1) 11.E(2) 11.E(3) 11.E(4)
 11.F. 11.G.

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- You (the advisory firm)
 You and one or more of your *advisory affiliates*
 One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a CRD number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - ADVISORY AFFILIATE

CRD Number: [REDACTED] This *advisory affiliate* is a Firm an Individual

Registered: Yes No

Name: LOCY, DAVID
WILLIAM
(For individuals,
Last, First,
Middle)

CRD Number: [REDACTED] This *advisory affiliate* is a Firm an Individual

Registered: Yes No

Name: TURBEVILLE,
ANTONY LEE
(For individuals,
Last, First,
Middle)

- This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.
 This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a *DRP* for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a *DRP* for any event listed in Item 11 that occurred more than ten years ago.

This *DRP* should be removed from the *ADV* record because it was filed in error, such as due to a clerical or data-entry mistake. Explain the circumstances:

- B. If the *advisory affiliate* is registered through the *IARD* system or *CRD* system, has the *advisory affiliate* submitted a *DRP* (with Form *ADV*, *BD* or *U-4*) to the *IARD* or *CRD* for the event? If the answer is "Yes," no other information on this *DRP* must be provided.

Yes No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its *IARD* or *CRD* records.

PART II

1. Regulatory Action initiated by:

SEC Other Federal State SRO Foreign

(Full name of regulator, foreign financial regulatory authority, federal, state, or *SRO*)
FINRA

2. Principal Sanction:

Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

06/28/2010 Exact Explanation

If not exact, provide explanation:

4. Docket/Case Number:

2009017275301

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

BROOKSTONE SECURITIES, INC.

6. Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Types:

PROMISSORY NOTES, UNSECURED BRIDGE NOTES, WARRANTS

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

SECTION 10(B) OF THE SECURITIES EXCHANGE ACT, SEC RULE 10B-5, FINRA RULES 2010, 2020, NASD RULES 2110, 2120, 2310, 2510, 3010(A) AND (B) - A MEMBER FIRM, ACTING THROUGH REGISTERED REPRESENTATIVES, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF UNSECURED BRIDGE

NOTES AND WARRANTS. REGISTERED REPRESENTATIVES, ACTING ON BEHALF OF THE FIRM, TOLD PURCHASERS OF THE BRIDGE NOTES THAT THEY WERE GUARANTEED WITHOUT ANY REASONABLE BASIS GIVEN THE DESCRIPTION OF THE PLACEMENT AGENT'S LIMITED ROLE IN THE PRIVATE PLACEMENT MEMORANDUM (PPM). REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, PROVIDED UNWARRANTED PRICE PREDICTIONS TO CUSTOMERS REGARDING THE FUTURE PRICE OF COMMON STOCK FOR WHICH WARRANTS WOULD BE EXCHANGEABLE. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED THE PAYMENT AT MATURITY OF PROMISSORY NOTES ALTHOUGH THE PLACEMENT AGENT HAD NO COMMITMENT TO PROVIDE FINANCING FOR THE PRIVATE PLACEMENT OR A LATER PUBLIC OFFERING. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE RISK THAT THE FINANCING WOULD NOT OCCUR AND RECKLESSLY OR KNOWINGLY FAILED TO DISCLOSE THE OTHER RISKS OUTLINED IN THE PPM. REGISTERED REPRESENTATIVES, ON BEHALF OF THE FIRM, GUARANTEED TO CUSTOMERS THAT THEY WOULD RECEIVE BACK THEIR PRINCIPAL INVESTMENTS PLUS RETURNS, FAILED TO INFORM INVESTORS OF ANY RISKS ASSOCIATED WITH THE INVESTMENTS AND DID NOT DISCUSS THE RISKS OUTLINED IN THE PPM THAT COULD RESULT IN INVESTORS LOSING THEIR ENTIRE INVESTMENT. THE FIRM, ACTING THROUGH A REGISTERED REPRESENTATIVE, MADE MISREPRESENTATIONS AND/OR OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE SALE OF THE PRIVATE PLACEMENT OF FIRM UNITS CONSISTING OF CLASS B COMMON STOCK AND WARRANTS TO PURCHASE CLASS A COMMON STOCK TO CUSTOMERS; THE PPM STATED THAT THE INVESTMENT WAS SPECULATIVE, INVOLVING A HIGH DEGREE OF RISK AND WAS ONLY SUITABLE FOR PERSONS WHO COULD RISK LOSING THEIR ENTIRE INVESTMENT. THE REPRESENTATIVE REPRESENTED TO CUSTOMERS THAT HE WOULD INVEST THEIR FUNDS IN ANOTHER PRIVATE PLACEMENT AND IN DIRECT CONTRADICTION, INVESTED THE FUNDS IN THE FIRM PRIVATE PLACEMENT. A MEMBER FIRM, ACTING THROUGH THE REPRESENTATIVE, RECOMMENDED AND EFFECTED THE SALE OF THESE SECURITIES WITHOUT HAVING A REASONABLE BASIS TO BELIEVE THAT THE TRANSACTIONS WERE SUITABLE GIVEN THE FINANCIAL CIRCUMSTANCES AND CONDITION OF THE CUSTOMERS. THE FIRM, ACTING THROUGH A REPRESENTATIVE, EXERCISED DISCRETION WITHOUT PRIOR WRITTEN AUTHORIZATION IN THE ACCOUNTS OF CUSTOMERS OR ACCEPTANCE OF THE ACCOUNTS AS DISCRETIONARY BY THE FIRM. THE FIRM, ACTING THROUGH ITS CHIEF EXECUTIVE OFFICER (CEO) AND ITS PRESIDENT, FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE AND FAILED TO FOLLOW UP ON RED FLAGS THAT SHOULD HAVE ALERTED THEM TO THE NEED TO INVESTIGATE THE REPRESENTATIVE'S SALES PRACTICES AND DETERMINE WHETHER TRADING RESTRICTIONS, HEIGHTENED SUPERVISION OR DISCIPLINE WERE WARRANTED. THE FIRM, ACTING THROUGH ITS CEO, PRESIDENT AND CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF NASD RULE 2310 REGARDING SUITABILITY. THE FIRM'S PROCEDURES WERE ALSO INADEQUATE TO PREVENT AND DETECT UNSUITABLE RECOMMENDATIONS RESULTING FROM EXCESSIVE TRADING, EXCESSIVE USE OF MARGIN AND OVER-CONCENTRATION. THE FIRM'S NEW ACCOUNT APPLICATION PROCESS WAS FLAWED SO THAT A REVIEWING PRINCIPAL WAS UNABLE TO OBTAIN AN ACCURATE PICTURE OF CUSTOMERS' FINANCIAL STATUS, INVESTMENT OBJECTIVES AND INVESTMENT HISTORY WHEN REVIEWING A TRANSACTION FOR SUITABILITY. THE FIRM'S PROCEDURES FAILED TO IDENTIFY SPECIFIC REPORTS THAT ITS COMPLIANCE DEPT. WAS TO REVIEW AND PROVIDED NO GUIDANCE ON THE ACTIONS OR ANALYSIS THAT SHOULD OCCUR IN RESPONSE TO THE REPORTS.

8. Current Status? Pending On Appeal Final

9. If on appeal, regulatory action appealed to (SEC, SRO, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Decision & Order of Offer of Settlement

11. Resolution Date (MM/DD/YYYY):

09/27/2011 Exact Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?

- | | |
|----------------------------------------------------------------------|------------------------------------------------------|
| <input checked="" type="checkbox"/> Monetary/Fine Amount: \$ 200,000 | <input type="checkbox"/> Disgorgement/Restitution |
| <input type="checkbox"/> Revocation/Expulsion/Denial | <input type="checkbox"/> Cease and Desist/Injunction |
| <input checked="" type="checkbox"/> Censure | <input checked="" type="checkbox"/> Suspension |
| <input type="checkbox"/> Bar | |

B. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate* date paid and if any portion of penalty was waived:

ANTONY TURBEVILLE HAS BEEN FINED \$10,000 AND SUSPENDED FOR 3 MONTHS IN A PRINCIPAL CAPACITY ONLY. DAVID LOCY HAS BEEN FINED \$10,000 AND SUSPENDED FOR 3 MONTHS IN A PRINCIPAL CAPACITY ONLY.

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided).

BROOKSTONE HAS SETTLED FINRA DISCIPLINARY PROCEEDING 200901725301 WITH A PAYMENT OF A \$200,000 FINE. THE FIRM AGREED TO THESE FAVORABLE SETTLEMENT TERMS TO AVOID FURTHER EXPENSES AND COSTS, INCLUDING THE ADDITIONAL LEGAL FEES AND EXPENSES THAT WOULD INEVITABLY RESULT FROM HAVING TO DEFEND THE ACTION ON THE MERITS, AND THE INCONVENIENCE, DISTRACTION AND VALUABLE TIME THAT WOULD BE LOST LITIGATING THE DISPUTE. MOREOVER, THE FIRM AGREED TO SETTLE BECAUSE THE TERMS OF THE SETTLEMENT EXPLICITLY PROVIDED THE SETTLEMENT WAS NOT AN ADMISSION OF ANY OF THE ALLEGATIONS SET FORTH IN THE COMPLAINT OR THE "ENTRY OF FINDINGS". THE SETTLEMENT SPECIFICALLY STATES THAT "RESPONDENTS HAVE CONSENTED, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OF THE COMPLAINT? TO THE ENTRY OF FINDINGS AND VIOLATIONS CONSISTENT WITH THE ALLEGATIONS OF THE COMPLAINT?." THE CIRCUMSTANCES LEADING TO THE DISCIPLINARY ACTION WERE RELATED TO THE ACTIVITIES OF A ROGUE BROKER, RICHARD BUSWELL. MR. BUSWELL WAS BRIEFLY REGISTERED WITH BROOKSTONE FROM 04/16/2008 TO 04/03/2009.

Signature Page

DOMESTIC INVESTMENT ADVISER EXECUTION PAGE

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial submission of Form ADV to the SEC and all amendments.

Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint the Secretary of State or other legally designated officer, of the state in which you maintain your *principal office and place of business* and any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such *persons* may accept service on your behalf, of any notice, subpoena, summons, *order instituting proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding*, or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of the state in which you maintain your *principal office and place of business* or of any state in which you are submitting a *notice filing*.

Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having *custody* or possession of these books and records to make them available to federal and state regulatory representatives.

Signature:
PAUL RICHARDSON

Date: MM/DD/YYYY
04/27/2012

Printed Name:
PAUL RICHARDSON

Title:
PRESIDENT/CEO

Adviser CRD Number:
[REDACTED]

NON-RESIDENT INVESTMENT ADVISER EXECUTION PAGE

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial submission of Form ADV to the SEC and all amendments.

1. Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint each of the Secretary of the SEC, and the Secretary of State or other legally designated officer, of any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such persons may accept service on your behalf, of any notice, subpoena, summons, *order instituting proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action,

administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding* or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of any state in which you are submitting a *notice filing*.

2. Appointment and Consent: Effect on Partnerships

If you are organized as a partnership, this irrevocable power of attorney and consent to service of process will continue in effect if any partner withdraws from or is admitted to the partnership, provided that the admission or withdrawal does not create a new partnership. If the partnership dissolves, this irrevocable power of attorney and consent shall be in effect for any action brought against you or any of your former partners.

3. *Non-Resident* Investment Adviser Undertaking Regarding Books and Records

By signing this Form ADV, you also agree to provide, at your own expense, to the U.S. Securities and Exchange Commission at its principal office in Washington D.C., at any Regional or District Office of the Commission, or at any one of its offices in the United States, as specified by the Commission, correct, current, and complete copies of any or all records that you are required to maintain under Rule 204-2 under the Investment Advisers Act of 1940. This undertaking shall be binding upon you, your heirs, successors and assigns, and any *person* subject to your written irrevocable consents or powers of attorney or any of your general partners and *managing agents*.

Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the *non-resident* investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having *custody* or possession of these books and records to make them available to federal and state regulatory representatives.

Signature:

Date: MM/DD/YYYY

Printed Name:

Title:

Adviser CRD Number:

13366

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION

PRESENT: HONORABLE Richard T. Haik , Judge, Presiding
Mary Thompson , Court Reporter
Gary Brazell , Minute Clerk

Date: September 6, 2013

COURT OPENED: 3:00 P.M.

COURT ADJOURNED: 3:30 P.M.

TOTAL TIME IN COURT: 0/30

MINUTES OF COURT

CASE NO. 6:11-cr-00198-02

Judge Haik /Mag.Judge Hanna

DEFENDANT HERBERT S FOUKE
GOVT. COUNSEL: Kelly Uebinger & Howard Parker
DEFENSE COUNSEL: Carol Whitehurst

- Defendant in custody
- Defendant on Bond, Bond cont'd
- Bond set:
- Bond cancelled
- Failed to appear, warrant ordered

- Case called for arraignment
 - Information filed
 - Waiver of indictment filed
 - Indictment read/reading waived
 - Plea of not guilty
 - days allowed for filing of defense motions
 - days thereafter allowed for filing Government responses and motions
 - trial set for:
 - Plea of nolo contendere
 - Plea of guilty to counts: 1 of Indictment
 - Defendant under oath
 - Defendant advised of Rule 11 rights
 - Agent testified
 - Filed Affidavit of Understanding of Maximum Penalty and Rights
 - Filed Plea Agreement
 - Other filings: Elements of Offense and Stipulated Factual Basis for Guilty Plea
 - Plea of guilty accepted and judgment rendered
 - Presentence report ordered; 70 day local rule is hereby waived
 - Sentencing to be set following receipt of the presentence report

Case called for other:

Case called for sentencing

- Dismissed counts:
- Defendant advised of right to appeal

COMMENTS:

